Tuesday July

Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada .... C$1.00	Japan Y600	Spain Pta145
Cyprus .... C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan .... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong ... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,581 Tuesday July 5 1988 D 8523 A

Chile: Pinochet's recipe for growth, Page 18

World News

Gibraltar row over naming SAS soldiers

SAS soldiers involved in killing three suspected IRA terrorists in Gibraltar in March are unlikely to give evidence at the inquest into the deaths without guarantees of anonymity, a Gibraltar coroner was told.

Coroner Felix Pizzarello accused London of trying to limit the scope of his inquiry. But Ministry of Defence lawyers argued that the men and their families could face IRA revenge attacks if they were named. Page 20

Palestinian battle

At least 50 people were killed or wounded in fierce fighting between Palestinian factions at Beirut's Bourj al-Barajneh refugee camp. Some 1,200 guerrillas loyal to PLO chief Yassir Arafat fought Syrian-backed rivals led by dissident Abu Musa.

Colombian massacre

A massacre of 17 Colombian peasants by unidentified gunmen in eastern Meta province appears to be a case of mistaken identity, a local official said, as the victims were not political activists.

Israelis close schools

Israel closed all 1,200 schools in the occupied West Bank in an attempt to curb protests. Meanwhile Palestinians demonstrated against an Israeli archaeological excavation they said encroached on Moslem holy sites in Jerusalem.

Moscow amnesty

The Soviet Union declared an unconditional amnesty for all Soviet soldiers who had deserted in Afghanistan or left to live in other countries after being captured by Afghan rebels.

Tamil concern

Sri Lankan Tamil parties and human rights groups expressed concern over a West German Government decision to deport 27,000 Tamil refugees.

Oslo bourse inquiry

Oslo's stock exchange was investigating two cases of suspected share price manipulation worth several million dollars and said other similar deals might have taken place. Page 2

UK-Swiss fraud probe

Swiss and UK police were interviewing several people in connection with the attempted theft of SFr82m ($54.3m) from a City of London branch of a large Swiss bank.

South Africa accused

Zimbabwe said it foiled a South African attempt to rescue six suspected agents on their way to a court hearing – but an 11-year-old girl was shot in the stomach by a white Zimbabwean pilot who fled to South Africa in a stolen helicopter.

Arms site row

A much-vaunted British visit to inspect Soviet chemical weapons manufacturing facilities ended in recrimination when the UK team claimed they had been refused permission to carry out a "challenge inspection" of a plant. Page 2

Setback for Strauss

Bavarian Prime Minister Franz Josef Strauss faced a setback after a decision by the dominant Bonn conservative parties to drop a move to free kerosene for private aviation from sales tax. Page 2

Call charges criticised

Evidence of artificially high charges for buying and using personal telephones in some EC countries was released by the bureau of European consumers' unions. Britain was among the worst offenders. Page 2

Edberg wins Wimbledon

Third seed Stefan Edberg of Sweden beat former West German champion Boris Becker

Business Summary

Swedish group snaps up 10% of SKF

TRELLEBORG, Swedish industrial group with interests in rubber, plastics, mining and chemicals, has snapped up a 10.1 per cent shareholding in SKF, world's leading roller bearing manufacturer and one of the Wallenberg companies. Page 22

DEE CORPORATION, UK food retailer which fought off a £1.9bn ($3.2bn) break-up takeover bid from the much smaller Barker and Dobson in February, is selling its Linfood cash and carry wholesale business in a series of moves seen as a response to criticism of the group. Page 21

LONDON: Concern over the effect on Wall Street of the attack in the Gulf left oil shares lower in London, but, with New York closed for the national holiday, movements in domestic interest rates dominated. News of a ½ point rise in base rates took prices off their lows and the FT-SE 100 index closed down 10.2 at 1,848.0. Page 40

TOKYO: A slide in the yen and the downing of an Iranian civilian airliner by the US sent worried investors to the sidelines leaving the Nikkei average ended almost unchanged. The Nikkei dipped 2.13 points from Saturday, the third straight loss, to 27,360.39. Page 42

WALL STREET was closed for Independence Day. In Canada, Toronto share prices were higher at mid-session as advances in gold issues proved the deciding factor in an otherwise mixed market.

DOLLAR closed in London at DM1.8295 (DM1.8195), Y135.40 (Y134.10), SFr1.5230 (SFr1.5130), FFr6.1625 (FFr6.1330). Page 33

STERLING closed in London at $1.6830 ($1.7010), DM3.0800 (DM3.0950), Y228.00 (unchanged), SFr2.5625 (SFr2.5725), FFr10.3725 (FFr10.4525). Page 33

TEXTILES markets worldwide are destined to become even more competitive in the next decade as productivity continues to improve, according to a review of. Page 7

ROLLS-ROYCE has applied to the UK Government for about £100m in launch aid towards the estimated £300m development cost of the RB-211-524 aeroengine, model L. Page 11

GEC PLESSEY Telecommunications, UK group, formed a joint venture with the Soviet telecommunications authorities to supply and operate pay phones in Moscow. Page 7

CARIBBEAN Economic Community is to decide this week if the small economies of its members can withstand the effects of the removal of all restrictions to trade within the group. Page 7

CHINESE investment banker called for a greater inflow of western European finance to increase an involvement in mainland ventures which he said "does not seem to match their present standing in the global economy." Page 24

WAITAKI International, New Zealand meat processor, is to buy Fletcher Challenge's Challenge Meats for NZ$317.5m (US$148m). Page 24

FRENCH bourse is about to put the finishing touches its "dematerialisation" programme, aimed at transferring bearer share certificates on to a unified electronic stock register, by selling 500,000 unclaimed shares and destroying 2,400 tonnes of unneeded paper certificates. Page 25

JARDINE Strategic Holdings of Hong Kong has failed in a request to dismiss a lawsuit against it over the withdrawal of its bid for 20 per cent of Bear Stearns, the US investment bank. Page 21

SWITZERLAND'S big three banks are understood to have won approval from members of their bond-issuing syndicate to start talks aimed at bringing foreign banks into the Swiss cartel. Page 25

Khomeini calls for all-out war against US and allies

BY ANDREW GOWERS, MIDDLE EAST EDITOR, IN LONDON

AYATOLLAH Ruhollah Khomeini, Iran's spiritual leader, last night called for a "fully-fledged war" against America and its allies following the shooting down of an Iranian airliner by a US warship on Sunday with the loss of all 290 people on board.

He said the attack was a warning to all air travellers, in what appeared to be a veiled threat to retaliate against a US passenger aircraft. He added: "We should all rush to the fronts for a fully-fledged war against America and its surrogates. I donate my worthless life for the sake of our victory."

Iranian leaders have said in the past two months that they believe the US has initiated a war against Iran. But this was the first recent statement to this effect carrying Ayatollah Khomeini's authority. It seems bound to inflame further already intense feelings in Iran following Sunday's disaster, which the US says was a mistake and the Iranians say was deliberate.

Ayatollah Khomeini said Iran's war was not only against Iraq but was a conflict "between Islam and all the inequalities of the capitalist and communist worlds." His statement followed a message from Ayatollah Hossain Ali Montazeri, his designated successor, asking him to order attacks on US interests throughout the world.

Mr Ali Akbar Velayati, Iranian Foreign Minister, formally protested yesterday about the disaster in a letter to Mr Javier Perez de Cuellar, United Nations Secretary-General. The letter called for withdrawal of the US task force from the region; demanded that the US court martial the crewmen responsible for shooting down the Airbus A-300; and asked for compensation for casualties and material losses.

Iranian diplomats, in a co-ordinated series of news conferences around the world, made clear that Tehran's next move following what Iran claims was a premeditated attack depended on the strength of international condemnation of the US action. They said failure to condemn it strongly enough might open the way to a recurrence.

"This proves there is a disastrous policy failure on the part of the US in the Gulf," said Mr Mohammad Mehdi Akhund Zadeh Basti, the Iranian charge d'affaires in London, before a meeting with Sir Geoffrey Howe, the UK Foreign Secretary. "We expect all peace loving people and governments to condemn this act outright."

The attack occurred on Sunday morning when the cruiser USS Vincennes, which had been involved in a skirmish with Iranian gunboats near the Strait of Hormuz, apparently mistook the Airbus, en route from Bandar Abbas to Dubai, for an Iranian F-14 fighter aircraft and fired two missiles at it. By yesterday afternoon, 168 bodies had been fished out of the sea, according to Iranian reports.

Washington's closest allies have given a mixed response. Mrs Margaret Thatcher made a hasty statement on Sunday expressing regret for the loss of life and sympathy for the bereaved, but supporting the US forces' right to defend themselves in the Gulf.

Mr Basti said yesterday that he was "disappointed and dismayed" by the statement.

In a statement which will be much more to Tehran's liking, the Soviet Union yesterday said the tragedy reinforced the need for the US fleet to withdraw from the Gulf without delay. Mr Gennady Gerasimov, Soviet Foreign Ministry spokesman, said: "The tragedy, responsibility for which lies fully with the American command, is by no means accidental. In fact, it is the direct consequence of actions taken by the US over the past year aimed at strengthening its military presence in the ... Persian Gulf."

The statement's relatively restrained tone contrasted with a vituperative commentary on Moscow radio which described the attack as "deliberate mass murder in cold blood." The more moderate official line appeared to reflect the Soviet Government's desire not to let regional rivalries overshadow the recent superpower rapprochement, while it tries at the same time to keep lines of communication open to Tehran.

Tehran radio said the disaster would be "avenged in the same blood-spattered sky over the Persian Gulf." However, it remained unclear what form any Iranian retaliation might take.

The US State Department, which has put all its embassies on alert, appears confident, however, that Iran's options for retaliation are limited.

In Washington yesterday, President Reagan sought to stiffen his defence of the US action, describing it as an "understandable accident" and vowing that it would not lead the US to withdraw its task force from the Gulf.

"I won't minimise the tragedy. We all know it was a tragedy," he said. "But we're talking about an incident in which a plane, on radar, was observed coming in the direction of a ship in combat, and the plane began lowering its altitude. So I think it was an understandable accident because the ship believed it was under attack by that plane."

A US investigation team headed by Admiral William Fogarty, a senior officer of the US Central Command, was yesterday flying to the Gulf to question the officers and crew of the Vincennes on how the disaster occurred. They will want to know in particular how the ship's sophisticated missile system managed to mistake the wide-bodied Airbus for a much smaller and faster F-14, and how it did not apparently pick up the automatic signals which the aircraft should have been transmitting identifying it as a civilian carrier.

Political reaction to the disaster in the US was muted in view of the Independence Day holiday. Many Congressmen defended the US action as justified under the circumstances, but called for the fullest of investigations.

Mr Jim Wright, Speaker of the US House of Representatives, said in London, after seeing Mrs Margaret Thatcher, that the British Prime Minister was "very supportive and understanding of our anguish."

Mr Wright defended the commander of the USS Vincennes, which had fired the missiles that brought down the aircraft. "It was a clear case of mistaken identity."

It was clear the radar screens on the ship could not distinguish between friend or foe, or a large Airbus and an F-14

But a civil aviation official in London said: "If they had just looked out of the window, at 7,500 feet it should have been clearly visible to the naked eye whether it was a civil or military aircraft."

ON OTHER PAGES

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- Radar systems that should be foolproof
- Moscow tells US to pull out
- Iranian bitterness

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Soviet Union begins to enact plan of reform

By Quentin Peel in Moscow

WORK is to begin on a memorial to the victims of Soviet dictator Joseph Stalin, the ruling Politburo decided last night, in the first decision to enact the conclusions of last week's crucial Communist Party conference.

A plenary meeting of the central committee of the party will be held before the end of July to decide on the detail and exact timetable for enacting the sweeping political reforms decided by the conference, it was decided.

At the same time a team of top ministers, headed by Mr Nikolai Ryzhkov, the Prime Minister, has been set up to tackle the country's food crisis, in an urgent effort to get better supplies into the shops and head off growing popular discontent.

The decisions were announced last night after a Politburo meeting, as full details of the conference resolutions on reform began to emerge.

The memorial to Stalin's victims, approved in principle by the conference, is a key political gesture by the Gorbachev administration, intended to prevent any return to a similar dictatorship, which caused millions to die from starvation during enforced collectivisation of farms in the 1930s, and inflicted mass purges, executions and banishment for almost as many more.

The plan is to set up a centre of documentary archives about the period, full details of which are only beginning to emerge in the Soviet press.

The conference agreed in its resolutions to greater openness in public life, under the title of glasnost, including:

- the inalienable right of every citizen to full and authentic information – excluding state and military secrets
- blob the right to discuss "any socially significant matter openly and freely"
- to open meetings of Communist Party organisations to outsiders elected to soviets and publish draft decisions for public discussion.

In an overall resolution on the entire policy of perestroika, the conference agreed that "radical reform of the political system" was the top priority – in order to ensure the subsequent economic and social reforms.

It agreed that party first secretaries should stand for election as chairman of their local soviets, thus exposing them to a second tier of democratic selection by a wider audience than simply the party members.

The conference also "found it

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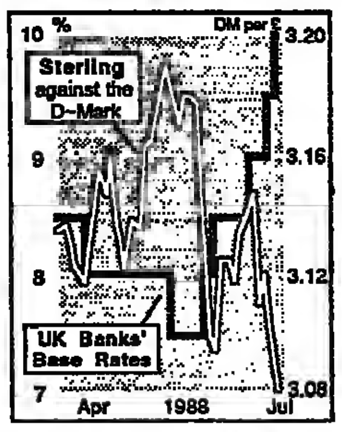

UK bank base rates increased further

By Ralph Atkins and Philip Stephens in London

THE BRITISH Government yesterday pushed up the cost of borrowing for the fifth time in as many weeks, ordering a ½ point rise in UK base rates to 10 per cent in an effort to tighten its grip on inflationary pressures in the economy.

The rise was announced by the major British clearing banks after a signal from the Bank of England. It came as sterling weakened further against other major currencies on foreign exchange markets.

Interest rates are now back to the level seen before October's worldwide stockmarkets crash and compare with a rate of 7½ per cent at the end of May.

Mr Nigel Lawson, the Chancellor of the Exchequer, said the Treasury had decided a further tightening was needed to combat inflation. Its approach was deliberate, cautious and gradual.

The base rate move is likely to prompt an increase in the cost of home loan rates. The banks are expected to raise their mortgage rates within days, and building societies, the major lenders in the property market, are likely to decide the size of the increase later this month.

Yesterday's move in bank base rates followed Thursday's interest rate rises in West Germany and in several other European countries, which had contributed to sterling's losses against the D-Mark in recent days.

The rise drew an uncertain response, however, in financial markets. Sterling drifted lower and wholesale interest rates edged higher amid speculation that a further increase might be needed to curb the buoyant pace of demand in the economy and to halt the recent sharp deterioration in Britain's trade position.

The Government and Bank of England clearly prefer the present combination of higher inter-

City less certain; home loan rates; credit figures, Page 10; Currencies, Page 33; London stock market, Page 40

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Mexican politician shot dead on eve of elections

BY DAVID GARDNER AND IVO DAWNAY IN MEXICO CITY

A CLOSE AIDE to Cuauhtemoc Cárdenas, the left-wing nationalist challenging Mexico's ruling Institutional Revolutionary Party (PRI) for the presidency in tomorrow's elections, has been assassinated, sharply raising the political temperature.

According to the FDN, Mr Xavier Ovando was carrying documents detailing opposition plans to monitor Wednesday's election, the most vigorous challenge to the regime in 50 years, in order to prevent ballot-rigging by the PRI. These documents are now missing.

Mr Ovando, co-ordinator of election strategy for the Cárdenas coalition, the National Democratic Front (FDN), and a former President of the PRI in Mr Cárdenas's home state of Michoacan, was found dead in his car at 11.30 on Saturday night, though news of the murder did not emerge till late on Sunday.

According to the Mexico City Attorney General's office, Mr Ovando was shot four times, twice in each side of his head in what looks like a professional killing after his car was rammed in an isolated district of the capital. His secretary, Mr Roman Gil, was also shot dead with one bullet. An investigating magistrate, quoted by local papers yesterday, ruled out robbery as the motive, noting that neither the car nor Mr Ovando's Rolex watch had been taken.

Mr Cárdenas was yesterday due to meet Mr Manuel Bartlett, the Interior Minister, to demand a full and immediate investigation, his office said. His visit was expected to be accompanied by a demonstration. Initial reaction, however, was of shock among all political parties at what could become a profoundly destabilising incident, if not handled with delicacy and openness.

Mr Ovando, a Cárdenas associate through most of his career, was also the FDN's liaison with the multi-party Democratic Assembly for Effective Suffrage (Adese), an opposition "clean vote" pressure group, and was co-ordinating its parallel vote computing plans.

Two weeks ago, at an Adese press conference which presented a detailed manual to counter ballot-rigging, Mr Ovando denounced the existence of two sets of ballot-slips in Ciudad del Carmen, at the bottom of the Gulf of Mexico. He also claimed the Interior Ministry was refusing to hand over the computerised record of the electoral register.

The Government argues that all parties have had access to the register, while the opposition claims it is impossible to check 38m names manually and it could only be done through computers.

Britain accused over Gibraltar inquiry on IRA

Mr Felix Pizzarello, the Gibraltar coroner who is to decide how to conduct an inquest into the killing by Britain's SAS of three suspected IRA terrorists, accused London yesterday of trying to limit the scope of his inquiry. Mr Pizzarello also refused to inspect a closed-circuit television system through which Britain wants seven SAS soldiers to give evidence. The killings led to a fierce political row in the UK after claims that some of the three had tried to surrender. Page 20

Kampuchea deal 'within grasp'

MR PREM TINSULANONDA, the Thai Prime Minister, said yesterday that he believed a Kampuchean peace settlement, with superpower guarantees, was within grasp, Reuter reports from Bangkok.

"I am optimistic that an equitable solution to the Kampuchean problem is in sight. Common ground now appears to exist among all concerned nations," he said in a speech opening the 21st meeting of foreign ministers from the six-member Association of South East Asian Nations.

The foreign ministers of Brunei, Indonesia, Malaysia, the Philippines, Thailand and Singapore, meeting before their two-day conference, voiced support on Sunday night for an Indonesian-sponsored peace initiative on Kampuchea.

They urged Vietnam and the warring Kampuchean guerrilla groups to use a planned informal conference in Indonesia at the end of July to work out the broad elements for a settlement. The Asean ministers are discussing a series of peace formulas from the United Nations, Kampuchean Prince Norodom Sihanouk and China.

Mr Prem said in his address that the key elements of a settlement would involve the complete withdrawal of Vietnamese troops from Kampuchea, reconciliation between the anti-Hanoi Kampuchean guerrillas headed by Prince Sihanouk and the Phnom Penh Government, and elections leading to a neutral, independent and non-aligned Kampuchea.

He said Prince Sihanouk's proposal for an international peace-keeping force deserved serious consideration and that there should be participation in the peace process by Mr Javier Perez de Cuellar, the UN Secretary General.

The Asean ministers met Mr Rafeeudin Ahmed, a UN envoy, to discuss UN proposals for peace yesterday morning before the conference opened, and were due to meet Prince Sihanouk today.

Vietnam invaded Kampuchea in late 1978 to oust the Peking-backed Khmer Rouge, held responsible by Hanoi and western human rights groups for the deaths of hundreds of thousands of people during a four-year reign of terror.

Vietnam has an estimated 120,000 troops occupying Kampuchea. It has said it will withdraw 50,000 troops this year.

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MEXICO MAKES DEMOCRACY THE KEY ISSUE

Cuauhtemoc Cárdenas, who refused to be frightened off by the 71-year-old regime, Page 20

Row over British visit to Soviet chemical arms site

BY QUENTIN PEEL IN MOSCOW

A MUCH-VAUNTED British visit to inspect Soviet chemical weapons manufacturing facilities ended in recrimination yesterday, when the British team claimed they had been refused permission to carry out a "challenge inspection" of a plant they wanted to see.

The visit was an exchange for the Soviet trip last May to the top-secret British Porton Down laboratory, bringing top British scientists to Shikhany to see for themselves now and where the Soviet Union continues to produce gases and other agents for chemical warfare.

Yet in spite of being allowed to take a helicopter flight over the site, and identify 10 extra parts of it they wished to inspect, Miss Tessa Solsby, the British Ambassador to the Geneva disarmament talks, said they were still refused access to a plant nearby which they had requested to see on arrival.

She also said the Soviet authorities had shown "different attitudes towards the degree of secrecy about the subjects we were discussing."

The sour note was struck at a press conference yesterday, called to celebrate the confidence-building process represented by the reciprocal visits, and it clearly touched a raw nerve with the Soviet hosts.

Col-General Vladimir Pikalov, the officer commanding Soviet chemical forces, said the plant the British had requested to see came under another ministry – the Ministry of the Chemical Industry – and it had not been possible to get its permission for a visit over the weekend.

In addition, the local party leadership were absent attending the Communist Party conference in Moscow.

He said the Soviet team at Porton Down had not asked to inspect any external facilities, and indeed had only insisted on seeing one extra part of the site in addition to their official inspection tour.

Apart from that, both sides insisted that the process was an important step towards agreement in Geneva on an international chemical weapons ban, and on deciding the verification procedures necessary to enforce it.

The Soviet side made proposals to improve verification measures, although they refused to spell out the details in public.

Gen. Pikalov also took the opportunity to attack the US for beginning production of binary chemical weapons.

"The US already had parity in chemical weapons, and it was embarking on a new arms race, he said. "History will punish the US for that."

Need for economic reforms set to dominate Comecon summit

BY LESLIE COLITT IN EAST BERLIN

URGENTLY NEEDED economic reforms will be the main issue under discussion at the annual meeting of prime ministers of Comecon, the Soviet-led economic and trade organisation, which opens today in Prague.

A Comecon commission has looked at reform proposals for nearly two years but has not produced a workable programme.

A Hungarian proposal on achieving a convertible currency was presented at the summit meeting of the Comecon council in Moscow last October. It was supported by the Soviet Union, Poland and Czechoslovakia, but was opposed by East Germany and Romania. The lack of convertibility is a main barrier to increased trade within Comecon and economic integration.

Mr Karoly Grosz, Hungary's leader, said recently that Comecon countries which agreed on reforms should carry them out without waiting for the other members. The "stubborn and excessive" defence of national interests is the "number one obstacle" to improved co-operation within Comecon, he said. Moscow, Budapest, Warsaw and Prague had come closer in their views on reform but other members had moved further apart.

"This is one reason for the very slow process of coming together," said Mr Grosz, who will not be attending the conference because he is holding talks in Moscow with Mr Mikhail Gorbachev, the Soviet leader.

A Soviet specialist on Comecon, Mr Alexander Bykov, said recently that some kind of "common market" was needed for socialist countries, but he added that a realistic domestic price structure and other economic reforms would have to come first. Trying to link the East European economies more closely now, he said, would only "multiply" their individual deficiencies.

The establishment of direct links between companies in different Comecon countries over the past year has been the work largely of ministries rather than of companies themselves.

The Soviet economist Mr Ruslan Grinberg told the government newspaper Izvestia recently that Comecon's present mechanism for exchanging goods boiled down to the "left-over principle". Each country shaped its own five-year plans and then looked to the other Comecon members for "what it lacked."

Comecon specialists in Eastern Europe doubt that the present barter-like exchange of goods between member nations can be changed for many years to come.

The growing debt problem of most East European countries is forcing them to concentrate on debt repayment to the West rather than on Comecon reforms. The three-day summit meeting in Prague is felt likely to produce good intentions on reforms but no workable economic mechanism to carry them out.

Europe seeks end to air traffic chaos

By Michael Donne, Aerospace Correspondent

EFFORTS to bring some coherence into Europe's chaotic air traffic control system will be made in the European Parliament in Strasbourg this week.

Against the background of continuing delays to air traffic in many countries – now leading to frequent delays of several hours, especially for charter flights – the Euro MPs are anxious to reorganise the structure of air traffic control in Europe, bringing it under one umbrella organisation.

Mr Petrus Cornelissen, of the Netherlands, the Parliament's transport committee spokesman, will suggest that Eurocontrol, the existing European organisation for co-ordinating upper air-space activity, should be brought under the auspices of the EC itself and made responsible for all European air traffic control operations.

But he will also complain that Eurocontrol's competence has been significantly undermined by individual national authorities since its foundation in 1966.

France and the UK have refused to cede any air traffic control duties to Eurocontrol, he claims. This means that the agency, based in Maastricht, Netherlands, is limited in what it can achieve.

Mr Cornelissen says there is costly duplication of effort, incompatibility of equipment, poor liaison between controllers from different national authorities and increased costs which are being passed on to the air travellers.

He will also press for more co-operation between military and civil aviation authorities because of the reservation of certain air corridors for military aircraft.

He cites the example of a civilian flight from Manchester to Brussels that was not allowed to pass over East Anglia and had to go via London's already over-crowded airspace, causing unnecessary delays.

The European Parliament's initiative – which seems likely to take months to implement – is no solution to the immediate problems, which were especially severe over the past week-end, because of a combination of bad weather, clogged communication lines and previous delays which produced a knock-on effect.

One aircraft from Malaga to Manchester that should have arrived early on Sunday afternoon landed yesterday morning, 21 hours late.

At most regional airports yesterday delays of several hours appeared to be common, and it was claimed that it might take as much as two days for the situation to improve as airlines struggled to reorganise their schedules.

Record Spanish tourism heralds airport delays

BY TOM BURNS IN MADRID

A FORECAST record year for Spain's tourist industry could be accompanied by departure lounge pile-ups at northern European airports, due to congestion of Spanish air space and worsening industrial relations between Spain's air traffic controllers and the domestic civil aviation authorities.

The fear is that as the tourist season approaches its peak, with millions heading for the Spanish costas, the delays of up to 10 hours that travellers to the Balearic islands experienced over the May Day holiday could become frequent, especially at weekends.

At the root of the problem is an increase of holiday air traffic over Spain and an urgent need to increase co-ordination between Spain as the tourist reception area and Britain and West Germany as the home for the main charter flight operators.

Spanish air traffic controllers say that congestion is up 30 per cent this year, while civil aviation officials say that the increase is closer to 10 per cent.

Barcelona controllers, who handle the bulk of the holiday traffic, warned that there had been a sharp deterioration since last year in the conditions under which they worked and that this would inevitably produce backlogs for flight clearance.

A key concern among the Spanish authorities is the domino effect, whereby brief delays caused by congestion over Spanish air space disrupt the take-off slots for departing flights, in turn leading crews to exceed their flying limits.

This causes further delays as passengers await the arrival of relief crews.

Spanish controllers are adamant that they intend to implement their own control measures in order to ensure air safety in their areas. This means restricting the number of flights that each controller can theoretically handle simultaneously from a maximum 19 to 8-10.

The authorities believe that the controllers are essentially holding out for more pay and incentives, but they concede that a new look at the demands made on Spanish air space during the peak season is almost certainly required.

Co-ordination between the European nations sending tourists by air and a nation like Spain which receives them is in a fairly primitive state, according to both authorities and controllers.

Schmidt hits at committee on monetary union

By David Marsh in Bonn

THE committee set up by EC leaders last week to examine steps to European monetary union is too full of "technicians" to make much progress towards setting up a European central bank, according to Mr Helmut Schmidt, the former West German Chancellor.

In an interview in his office in Hamburg, where Mr Schmidt is co-publisher of the weekly Die Zeit, the former chancellor said he welcomed the decision at the EC summit in Hanover to set up a study group into monetary union because it "forces them [the governments] to think about the problem."

But Mr Schmidt, who in 1978 was one of the co-architects with former French President Valéry Giscard d'Estaing of the European Monetary System, said: "The composition of that committee seems inadequate."

Mr Schmidt, who has campaigned forcefully in recent years for the EC to expand the EMS and move to a single European currency and central bank, said the committee did not contain enough people with "global strategic understanding of what is necessary in this world."

The study group, which has been asked to report back to EC leaders in 12 months, is chaired by Mr Jacques Delors, the EC Commission president.

It will be composed mainly of EC central bank governors, but will also include outside economic experts.

Mr Schmidt supported Mr Delors's prime role in the committee, saying his chairmanship would make it difficult for the monetary union and central bank idea to be "discarded off the cuff."

Mr Schmidt said of the central bankers: "These are technicians." Mr Karl Otto Pöhl, the governor of the West German Bundesbank, who was formerly a key aide to Mr Schmidt in Bonn, "is a technician of high calibre, as is his deputy, Mr [Helmut] Schlesinger."

He suggested that at least some of the central bankers on the panel would be opposed to a European central bank project because it would mean diluting their power.

These central bankers would be in a similar position to a "Minister for Bread or Aluminium in Moscow" who was asked to sit in on a *perestroika* (restructuring) committee aiming to cut down part of their area of competence, he said.

The European Currency Unit should be made legal tender in all EC countries. This would at first co-exist alongside existing national EC currencies but would gradually displace them as the Ecu would be a more reliable and stable unit both domestically and internationally.

Mr Pöhl's recently published arguments against turning the Ecu into a "parallel currency" seemed to be basically an excuse for inaction.

"If you have one currency, it follows almost automatically that you will have greater convergence [between the EC members] in the monetary and fiscal fields," said Mr Schmidt.

He underlined his lack of confidence in present EC leaders to tackle the monetary union question. But he indicated respect for Mrs Margaret Thatcher, the British Prime Minister, in spite of her unremitting opposition to bringing sterling fully into the EMS.

"The only one of the heads of government and state who understands the monetary field is Margaret," he said. "Kohl and Mitterrand do not understand it. They have goodwill, but not enough personal knowledge to counter arguments from more educated people, be it Margaret, be it their own central bankers."

Setback for Strauss as aircraft fuel tax break is dropped

BY DAVID MARSH IN BONN

MR Franz Josef Strauss, the Bavarian Prime Minister, faces a damaging setback after a decision by the dominant Bonn conservative parties to drop a move to free kerosene for private aviation from sales tax. The about-turn, confirmed yesterday, could speed up Mr Strauss's gradual eclipse in West German politics.

A spokesman for Mr Strauss's Munich-based Christian Social Union (CSU), the sister party to Chancellor Helmut Kohl's Christian Democrats (CDU), said Mr Strauss himself had agreed to drop his controversial proposal to include tax freedom for private aviation fuel in the Government's 1990 tax-cutting package.

The Strauss-backed measure will be included in the final version of the 1990 bill which goes to the Bundesrat (upper house of Parliament) for its final reading on Friday. But it will be reversed in the autumn with a revision of oil tax legislation.

The compromise is aimed at stemming a tide of disapproval in the ranks of both the CDU and the CSU about bringing in a new tax break for wealthy people at a time when most of the population face sacrifices.

Under a string of extra levies being planned for 1989 to help rein in the federal budget deficit, West Germans face higher taxes on petrol and cigarettes as well as a new tax, also confirmed yesterday, on household gas supplies.

The setback for the plans of Mr Strauss, a keen aviator who has fought for the exemption for six years, came on the eve of his departure for London, where he will hold talks tomorrow with Mrs Margaret Thatcher.

As usual, Mr Strauss will pilot the aircraft on the UK flight. The visit comes a few days before Chancellor Kohl travels to Chequers on Saturday for a full-day session with the British Prime Minister.

The Strauss visit was planned some time ago. But, as well as allowing Mr Strauss to swap thoughts on East-West relations, the European Community and the Airbus airliner project, it will also upstage Mr Kohl, whose long-standing love-hate relationship with his Munich rival has lately shifted towards simple hate.

In Munich yesterday, the CSU spokesman termed as "nonsense" speculation that the tax exemption reverse could spell the beginning of the end for 72-year-old Mr Strauss's long political career.

None the less, the strong opposition within his own party to the tax break proposal, coupled with damaging assertions about his strong personal links with the flying community, have exposed what appears to be a serious lack of judgment in the Bavarian Premier.

Since being forced to give up any question of returning to political office in Bonn by the conservatives' indifferent showing in the January 1987 general elections, Mr Strauss has been forced to play a muscular but essentially back-seat role from Munich.

Apart from his constant support of funding for the European Airbus, his influence on Bonn policies has become limited mainly to interference with minor pieces of legislation, accompanied by outbreaks of wrath directed at Mr Kohl.

And, as the U-turn over kerosene demonstrates, the wrath of the "Bavarian Lion" is now a lot less fierce.

Bonn trade surplus beats forecasts

WEST GERMANY'S trade surplus rose in April but its production of industrial goods was virtually unchanged in May, the Government said yesterday, Reuter reports from Bonn.

The Federal Statistics Office said West Germany's trade surplus rose to DM 9.5bn (£3.06bn) in April from DM 8.6bn in March.

Industrial production in May fell 0.1 per cent from April, the Economics Ministry said.

West Germany has run large trade surpluses despite a decline in the dollar last year which made its goods more expensive for foreign buyers.

The trade surplus reported yesterday was higher than expected. Economists had forecast a trade surplus of DM 9bn.

But they still think West Germany will reduce its current surplus – which includes services as well as merchandise trade – to around DM 70bn in 1988 from DM 80bn last year.

They believe the April trade figures were distorted by customs changes introduced by the EC in January.

Economists also said the recent weakening of the D-Mark will probably cut into the trade surplus later this year because West Germany's imports will become more expensive.

Little local difficulties dog Barcelona's race to Olympics

Peter Bruce reports on the political fight for cash to host the 1992 games

BARCELONA might not match Korea as an East-West flashpoint, and if superpower relations remain on their present track, there will be no spectacular boycotts.

But already, the 1992 Olympics are providing some promising raw material for students of the politics of sport – local and Spanish, admittedly, but colourful enough to allay any fears that interest will be confined to the track and field.

For a start, there is still no agreement on how the event will be financed.

On one side there is Mr Pasqual Maragall, the city's calm, popular Socialist mayor.

On the other there is Mr Jordi Pujol, president of the Catalonia region, a conservative nationalist. In his taste for international self-projection, he is reminiscent of Bavaria's Mr Franz-Josef Strauss.

The two men work out of grand old stone buildings that confront each other across the Plaza San Jaime in the heart of the city.

Mr Maragall's problem is that he needs money from the Catalan administration. "I am looking for money and I am looking for political will," he says. Presumably he has Mr Pujol in mind.

The organising committee (COOB'92) recently approved plans for competition facilities worth Pta 70bn (£337m). About half of that will be met by the committee itself, which raises its money through selling off advertising and television rights, with Barcelona contributing Pta 14.7bn and Catalonia just Pta 1.6bn.

Catalonia is also paying a third (with Madrid and Barcelona) of the Pta 65bn being spent on building two ring roads to ease the city's already choking traffic.

But there is much more spending to be done – about Pta 400bn on infrastructure alone. The mayor knows he has a fight on his hands to coax more money out of Mr Pujol for subways, sewerage and communications systems.

"I said let's approve it [the Pta 70bn] but I want to know that other investment is going to be split other ways," says Mr Maragall, who does not expect Barcelona to make any money out of the games.

He is not about to loosen his grip as chairman of the organising committee. Earlier this year some Spanish press reports suggested that the awards of a Pta 5.7bn contract to IBM as official supplier of computers and a smaller one to Apple were not proper.

Mr Carlos Ferrer Salat, president of the Spanish Olympic Committee and a member of COOB'92, sits on the supervisory board of IBM Europe, and another COOB'92 member, Mr Jaume Clavell, was once Apple's chief executive in Spain.

"They leave the room when there is a clash of interest," says Mr Maragall, who insists that contracts are awarded on merit. "IBM was the best, no question."

His main worry now is a widely-supported pay strike among construction workers in Barcelona. About 22 working days have been lost because of the strike so far this year and there is little end in sight. After each day on strike, he says, fewer and fewer construction workers are returning.

The mayor says he can do nothing about it but there is an obvious danger to the Olympic building schedule if the strike worsens. And if the strikers win, it is quite possible that Olympic project work could become hostage to future pay disputes.

Work on the Montjuic Olympic Stadium, the games' main sporting arena, is at a critical point because it is supposed to be ready for the athletics World Cup next year. "We are on red alert here."

Then there was the little matter of the Olympic mascot.

The brilliant young graphic and furniture designer, Mr Javier Mariscal, suggested at a party in his native Valencia that "the trouble with Barcelona is that there are too many Catalans in it."

The remark, with which many inhabitants of Barcelona might laughingly agree, was quickly telephoned through to Barcelona by a treacherous guest. Mr Mariscal, who was on the point of having his design chosen as the 1992 Olympic Mascot, was forced by the ensuing outcry into a humiliating apology.

That was not the end of it. Olympic mascots are supposed to be cute, cuddly things and Mr Mariscal's winning design, a two-dimensional, modernist dog, only made things worse. The Catalan government quickly made its displeasure known, although it has no power to over-rule COOB's decision to adopt the mascot.

The designer was so fed up with the controversy that he set off on an African tour.

High EC telephone charges attacked

By William Dawkins in Brussels

EVIDENCE of artificially high charges for buying and using personal telephones in several EC countries was produced yesterday by Beuc, the bureau of European consumers' unions.

The worst offenders are Britain, where local calls at maximum rate cost up to nine times more than in Portugal; Greece, where it can take up to three years to get a line installed; Denmark, where it costs up to seven times more to have a receiver installed than in West Germany; and Italy, where a basic telephone costs more than twice as much as in Belgium.

The study also confirms what many frustrated Britons know instinctively, that their public call boxes are the worst in Europe. Despite the fact that the UK has more call boxes per head, at 784 per 100,000 people, than any other European country, they are more likely to be out of order than all but their battered Greek counterparts.

British Telecom told Beuc that 80 per cent of its public telephones work, well below the European average of 95 per cent and better only than the Greek 69 per cent. Only Luxembourg and the British city of Hull – which run its own service – claim all their call boxes work properly.

The study, from questionnaires sent to 14 national postal and telecommunications authorities (PTTs), highlights "scandalous" international disparities in charges, proving that "there are substantial monopoly profits to be made in certain countries," said Mr Jeremy Mitchell, the study's author.

The European Commission is planning to abolish national monopolies in telecommunications equipment and most services by 1992, leaving the provision of networks and basic voice telephone services under PTT control, to the regret of Beuc and some of the more competition-minded member states. In the absence of full deregulation, Beuc calls for regular reviews of PTTs' role.

It also suggests that Brussels should publish quality guidelines to accompany what liberalisation will be taking place. "Consumers are the neglected partners in the running and development of the telephone service," said Mr Mitchell.

To take a glaring example, a five-minute maximum-rate call from Bonn to Dublin cost Ecu 2.11 (£1.41) when the study was compiled, but Dubliners paid well over twice as much, Ecu 4.94, to call Bonn. Despite the fact that Britain is an expensive country in which to make local calls, it comes out at the cheaper end of the range for long-distance calls at Ecu 0.36 for five minutes.

That falls between Ecu 0.26 in Denmark to Ecu 1.93 in Greece. There are even bigger discrepancies in the quality of service. The waiting time for a new line, for instance, varies from less than two weeks in France to two to three years in Greece.

And once the hapless European telephone user gets to the head of the queue he could end up paying anything from Ecu 22.25 in Belgium to Ecu 50.59 in Italy for his first telephone. The cost of installation varies from Ecu 31.34 in West Germany – which makes up for it later by levying among the highest subscription charges in Europe – to Ecu 321.98 in Denmark.

Oslo exchange probes deals

OSLO'S stock exchange is investigating two cases of suspected share price manipulation worth several million dollars and said yesterday that other similar deals might have taken place, Reuter reports.

Mr Vidar Ulleriud, the Bourse spokesman, said details had been passed to the Bank and Securities Inspectorate, which will consider whether criminal charges should be filed.

"They were worth tens of millions of crowns. It represents a breach of brokerage ethics, and may also be illegal," he added.

"We have indications that more deals of this kind may have been concluded. It is a very serious matter."

The two deals involved selling blocks of shares at a higher price than that quoted on the exchange, he said.

Laura Raun reports from Amsterdam on the long-standing business relationship between two nations

Marriage of true minds behind Anglo-Dutch success

RELUCTANTLY Mr Aart van der Padt ordered a dry sherry before lunch. He nudged his colleague to do the same.

The Dutch head of DAF/Leyland expected his British hosts to choose alcoholic drinks, and he thought he should join them. But as Mr van der Padt wryly recounts, "one by one the whole [British] management took mineral water, tomato juice and orange juice."

With the best will in the world, the gap between British and Dutch corporate culture occasionally proves unbridgeable.

But that is the exception, not the rule, in commercial co-operation between the two nations. As their respective monarchs will doubtless observe when they meet in Amsterdam this week, Anglo-Dutch business links are a success story.

It is an older one than many people in either country – apart from those in Northern Ireland – realise.

The event being celebrated this week is the crowning of King William III of the Netherlands and his English consort, Mary Stuart, as King and Queen of England. Their reign ushered in constitutional monarchy, guaranteed Protestantism and ended nearly a quarter-century of Anglo-Dutch wars.

William of Orange brought to England his country's expertise in science, engineering and the arts.

It was in finance, however, that the Dutch left the most indelible mark. Dutch institutions provided models for the London Stock Exchange, Bank of England and the gilt-edged securities market.

By the 18th century the Dutch republic's world dominance was on the decline and it was less of a threat to Britain's rising power. By the 19th century the Dutch were investing their colonial wealth in Britain's industrial revolution.

The early 20th century saw the birth of two Anglo-Dutch ventures which helped give the word multinational its meaning: Royal Dutch/Shell in 1907 and Unilever in 1929. In both cases, business rivals were joining forces.

The two countries, on either side of a small channel, had much in common. Both were seafaring nations, open to international trade, enemies of Spain and France and empire builders outside Europe rather than inside. There were shared values: individual freedom, pragmatism and Protestantism.

But British and Dutch values are not identical: rather, they complement one another. That at least is the theory of Professor Geert Hofstede, who now teaches "organisational anthropology" at Limburg University and used to work for IBM.

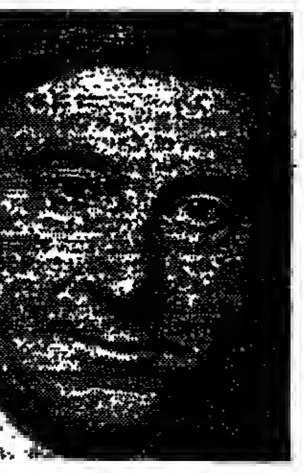
Britain, he believes, is a more "masculine" society because it values such areas as performance, creativity and earnings. The Netherlands is a more feminine society valuing creature comforts, relationships and orderliness, for example.

His hypotheses were put to the test by Ms Liesbeth Kuiper, a business student who interviewed 22 executives from Royal Dutch/Shell, Unilever and Boskalis Westminster. She concluded in her doctoral dissertation that Anglo-Dutch joint ventures were a "marriage of true minds."

"The Dutch keep the English organised, that is, provide the English with an acceptable Germanic element," Ms Kuiper found. "The English add the flair and the imagination. The English love to be admired and the Dutch like to admire."

Not all marriages have worked, of course. Boskalis Westminster has had to shrink to a shadow of its former self in order to survive.

Philips and GEC, the Dutch and British electronics companies, failed to agree on a proposed joint venture in medical equipment last year after much-touted plans.



Aart van der Padt: "we rely more on consensus"

However, Dutch ventures with other countries have generally proved less successful than ones involving Britain.

The Dutch often cite cultural rather than business reasons for the problems they have encountered in mergers with German companies, such as those between Fokker and Verenigte Motor Fabriek, and between Hoogoven and Hoesch. The Germans need more precision than the Dutch, they say.

Prof Hofstede attributes the Dunlop-Pirelli divorce to Anglo-Latin conflict.

Mr Floris Maljers, the Dutch head of Unilever, attributes the success of Anglo-Dutch ventures more to the similarities than to complementary differences. "Working with the British goes well on the whole because, despite a number of differences, we share common values," he believes.

What are the differences, then? When the Dutch members of Unilever's board gather for lunch on Mondays they have sandwiches and coffee. When they forgather with British members, they eat a hot meal.

The Dutch believe education should be applied while the British tend to believe in education for its own sake.

Applied engineering is generally valued more highly in the Netherlands than in Britain. Technicians in both Unilever and Royal Dutch/Shell tend to come from the Dutch side; the British persist with their belief in "inspired amateurism."

Mr Maljers recalls that a recent British applicant for a job said he had studied biochemistry and now wanted to become an accountant. "I was surprised," he admits, "but none of the UK selectors was surprised."

Class divisions are narrower in the Netherlands, and that can be a help: egalitarian Dutch managers may have found it easier to turn round Leyland trucks than British ones had.

Mr van der Padt modestly says other factors played a part – the British Government delivered Leyland debt-free, a marketing deal between the two partners had been signed shortly before the merger, and the market itself picked up better than expected.

But he does acknowledge that "we rely more on consensus. . . and Leyland was more hierarchical."

Leyland Trucks and Freight Rover, which had lost money for Rover, contributed to DAF's near-doubling of profits last year. Productivity has increased and workers show a "greater readiness to accept change," he says.

For companies contemplating international collaboration, Mr Maljers's advice is to approach the venture from positions of equal strength. "Make absolutely sure that the two partners are equals. If some are more equal than others it is lost."

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the board of directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorham, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

EUROPEAN NEWS

Diana Smith in Lisbon reports on the controversial claim which threatens to topple a Spanish hero

Columbus 'unmasked' as Portugal's master spy

CHRISTOPHER Columbus, the navigator who discovered America for Spain in 1492, was a spy for Portugal, Spain's deadly rival in a race to expoit the riches of newly discovered lands.

He was part of a plan to distract the attention of Spain's Queen Isabella and King Ferdinand from India, Africa and the secretly discovered Brazil, which Portugal wanted for itself.

So says Dr Augusto Mascarenhas Barreto, a Portuguese anthropologist, writer, amateur historian and cryptologist, who spent 21 years poring over books, charts and documents to arrive at this conclusion.

He decoded cryptic 17th century genealogies designed to mask noble families' Semitic origins, studied the lore of arcane sects and the cryptic use of alphabets, and this month published a 600-page book* expounding his theory.

The upending of the traditional view of the discovery of the New World should add a political dimension to the half-millennium celebrations at Seville, Spain, in 1992.

The anniversary will recall Los Reyes Catolicos Isabella of Castile and Ferdinand of Aragon who, in 1492, routed the Moors from their last Spanish military outpost and turned their sights on the fabled wealth of the Orient.

Tha Seville celebrations are about the orthodox history that Christopher Columbus, sponsored by Isabella, went west towards a Passage to India which he had insisted was faster than rounding Africa, tha favoured Portuguese route.

From 1402 to 1502 Columbus went west four times to the Indies but found only Caribbean isles, a failure that was blamed on faulty navigation.

Although he found no Oriental wealth, there were gold and pearls for Spain on islands he called Spaniola, Fernandina, Isabellina or, as a fervent Catholic, religiously named bays like San Salvador; and Cuba which is an adaptation; says tradition, of a Carib word.

Instead of this vision, Dr Barreto depicts a land recovering from Arab rule, marked by Templars who fought the Moors in Jerusalem and Portugal, were banned by the Pope in the 14th century and, in Portugal transmogrified into the Ordem de Cristo.

Dr Barreto, a Catholic, extols Jewish scholars who fed the Crown's hunger for science.

He traces Portuguese voyages using skills absorbed from Moorish cosmographers and astronomers.

He pulls together convincing evidence that Christophe Colômbo was a low born Genovese but not the famous navigator we now assume him to be.

The Genoa thesis, he says, began with a slip of the pen: a letter in Latin from Piero di Manchegna to Queen Isabella, mentioning a Colonus (Colon) was miscopied: Colonus became Columbus.

From this small slip, says the author, great fraud flowed, not least forged codicils and 17th century Italian "heirs" to assets granted Colon and his descendants by Queen Isabella.

Dr Barreto claims that Isabella knew Colon was Portuguese, half-brother of Diogo, second Duke of Beja, a pro-Spanish conspirator against King João II of Portugal. Colon let her believe that he shared his brother's pro-Castille, pro-Spanish, allegiance.

Her gift of a coat of arms to Colon was, documents say "to add to your present arms." The design Colon chose was, to Dr Barreto, a big clue to his identity.

But Dr Barreto's proudest proof is decoding Cristobal Colon's cryptic signature. He used Kabbala mirror methods (inverting letters: a Latin S becomes Hebrew *shin* or "the spirit"), to unveil facts that Zarco, who was also a classics and Hebrew scholar, offered once and future cryptologists:

"Fernandes ensifer copiae pacis iuliae illaqueatus Isabella scia camara mea soboles cubae."

Which means: Fernando swordbearer [Duke] of Beja [Pax Iulia, the name the Romans gave to the town of Beja, Alentejo in Portugal] with Isabel called Camara [a family name of new Christians converted from Jodaism] are my forebears from Cuba [in the Province of Alentejo]. [Colon] [Salvador] Zarco.

That means he says that he is the prodnct of the union of Duke of Bejs and Isabel Camara. The former was a Portugese nobleman and the latter from a family of Nsw Christians, converted *from Judaism*, for whom the Spanish rulers had little sympathy.

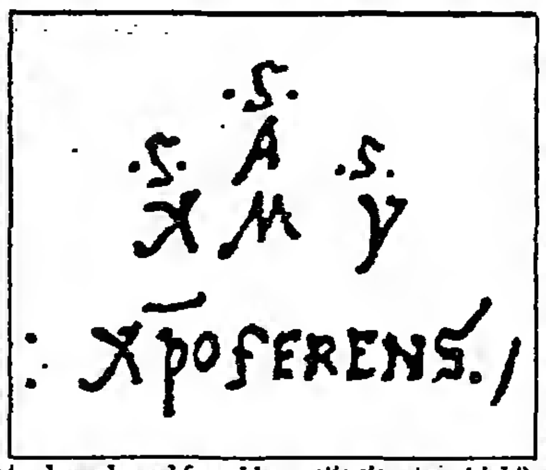
Clues abound in the signature (illustrated). The Greek letters Xi rho omicron stand for Kristo Ferens – Christopher but also Xristos (Saviour/Salvador) and Ferens maps to Ensifer or swordbearer. There is an oblique after Ferens and the Hebrew word for the oblique stroke is zarco. Colon Cristophe works the pun on the grammatical instrument of the colon.

The signature, says Dr Barreto, is the code of the greatest spy of his era, a man bound from youth to service to Portugal and the Ordem de Cristo.

The rulers of Spain and Portugal were driven by religious zeal and the economic power that could arise from the discovery of brave new worlds.

For Dr Barreto that force, hermetic, obsessive and conspiratorial, justified ruthless sxploitation of a secret agent Salvador Zarco.

** O Portugues Cristovao Colombo, Agente Secreto do Rei Dom Joao II* – The Portuguese Christopher Columbus, Secret Agent of King D. Joao II.



Columbus greeted by Indians on San Salvador – named after himself according to clues gleaned from his cryptic signature (right)

Key questions raised by orthodox history

■ Were Caribbean isles named after Spanish patrons? Or did Colon-Zarco, born in Cuba, in the Alentejo region of Portugal, of a liaison between the Duke of Beja and Isabel Zarco da Camara, name islands after Spanish patrons or himself (Salvador), his father, mother and Portugal "Saniola" – an early nickname for Portugal), and a bay after his birthplace, leaving clues for posterity?

■ Did Columbus accidentally miss India four times? Or was this part of Zarco's plans to throw Spain off the scent while Portugal found India and in the Treaty of Tordesillas where the Papacy demarcated Spanish and Portuguese interests in discovered and to-be discovered seas and lands, knowing the location of vast, rich Brazil 20 years before "official" discovery, got what it wanted: the East and Brazil?

■ Was the man we know as Columbus a spy whose uncle, King João of Portugal, (a nephew of the legendary Prince Henry The Navigator) sent him in the 1480s to lead Isabella and Ferdinand on a wild goose chase?

■ Was he the illegitimate son of Don João II's brother, Fernando, first Duke of Beja and Master of Prince Henry's Ordem de Cristo, the mystical Order to which Portugal's navigators belonged, whose knowledge they were sworn to conceal, hiding maps of their voyages, using cryptic symbols drawn from the Templars or ancient Jewish Kabbala?

Official portrait of Columbus

■ Was he, a servant of Los Reyes Catolicos not known for tolerating Jews, a descendant of "New Christians" forced to convert from Judaism? The New Christian Zarcos received the noble name of Camara: most New Christian descendants hid their origins as anti-Jewish persecution mounted.

■ Was the man we know as Christopher Columbus really Salvador Fernandes Zarco, alias Critovam Colom, a Portuguese nobleman, skilled navigator who shared the secret Portuguese discovery of Iceland, African coasts and Caribbean Antilles and who knew India could not be reached via the West?

W Germany will not meet deficit target

WEST GERMAN Finance Minister Gerhard Stoltenberg said yesterday he would not be able to achieve his federal budget deficit target in 1989, the second successive year of overshoot, Reuter reports from Bonn.

He also said that the Government planned a stiffer rise in 1989 in indirect taxes than earlier announced.

The Finance Minister, who came to office in 1982 on a pledge to cut federal deficits, already faces a shortfall of a record DM40bn ($22bn) in 1988, one-third higher than planned.

In January, he said that the 1989 deficit would be down at DM30bn. But he said yesterday that he now expects it to be DM32bn because of plans for more federal aid to poorer West German states.

These plans, and a huge deficit at the Federal Labour Office which administers unemployment benefits, have dealt a blow to Mr Stoltenberg's 1989 budget proposals which go to the cabinet on Thursday.

The DM5bn mark labour office deficit would be covered partly by the introduction of a new tax on consumption of natural gas, Mr Stoltenberg said.

There would be a rise in a levy on heavy heating oil. The Government had already announced controversial plans to raise indirect taxes next year on items such as petrol and tobacco.

Economists say that these indirect taxes may hit consumer spending and slow growth in Western Europe's biggest economy during 1989, just when the Government is getting ready to try to boost expansion through cuts in direct taxes.

The liberal Free Democratic Party (FDP), a member of the governing coalition, earlier argued against higher consumer taxes, but FDP officials said that they now reluctantly agreed.

The Government's hand on giving more money to poorer German states was forced by one of Chancellor Helmut Kohl's key political allies, who made a concession on this issue a condition for his support for major 1990 reforms intended to reduce direct taxes.

The reform package goes before the upper house of parliament (Bundesrat) on Friday.

Mr Ernst Albrecht, conservative premier of Lower Saxony, had said he would not vote for it unless regional aid was increased.

If Lower Saxony carried out its threat there would be no majority for the reform which cuts direct taxes.

Portugal to redraft deal on US satellite station

THE PORTUGUESE Government will have to redraft an accord granting the United States a site for a satellite tracking station following a surprise veto by the constitutional court, officials said yesterday, Reuter reports from Lisbon.

"The (court's) decision was technical and just means that a new bill will be put through parliament. We see no problems and the project will go ahead," a government official said.

The court ruled last week that the agreement on the planned Almodovar tracking station, in the southern Alentejo region, had failed to go through the standard legislative process.

Communist deputies, who had appealed to the court, oppose the project which they say will be used for Washington's proposed Star Wars space defence system which is the subject of much tension in US-Soviet relations.

The agreement, signed five years ago, is part of an overall US military aid programme giving Portugal more than $100m a year mainly in exchange for use of the key Lajes air base in the mid-Atlantic Azores islands.

Portugal's centre-right government enjoys a clear majority in parliament and the sources said a new and legally watertight bill on the project would be presented shortly.

Construction of the station in Alentejo, which was scheduled to have been operating last year, has not yet begun.

This is mainly because of stalled negotiations with the local authorities in Almodovar.

Hungarian leader visits Moscow for first time

MR KAROLY GROSZ, Hungarian Communist Party leader and Prime Minister, arrived in Moscow yesterday for his first visit since he took over the party leadership from Mr Janos Kadar last month, Reuter reports from Moscow.

The official Soviet newsagency Tass said that Mr Grosz was met at the airport by Central Committee Secretaries Mr Yegor Ligachev and Mr Vadim Medvedev.

In a recent interview with Soviet television, Mr Grosz said that his talks in Moscow would concentrate on the international situation, bilateral relations and economic issues.

He said that he wanted to determine Hungary's place in "big changes" in the Soviet-led trade bloc Comecon.

Mr Grosz also spoke of the importance of last week's Soviet Communist Party conference for other East bloc countries.

He described the conference, which approved far-reaching political reforms after four days of lively debate, as "an example of practical socialist innovations supported by the masses."

AMERICAN NEWS

Party names choice to follow Alfonsin

BY GARY MEAD IN BUENOS AIRES

ARGENTINA'S ruling Radical Party (UCR) has chosen its candidate for the presidential elections scheduled for June next year.

The vote in favour of Mr Eduardo Angeloz, the 56-year-old governor of the province of Córdoba, also secures the candidacy of his running mate for the vice-presidency, Mr Juan Casella. The Angeloz-Casella campaign had the endorsement of the party machine and its success was widely predicted.

In a nationwide poll of all party members, Mr Angeloz gained 88 per cent of the vote and thus defeated the only other candidate, Mr Luis Leon. The party has almost 2.8m card-carrying members and 30 per cent turned out to vote.

Mr Angeloz has publicly committed himself to following the general policy of Mr Raul Alfonsin, the current Argentine president. President Alfonsin has held office for the Radicals since a general election in November 1983, following a military junta. The terms of Argentina's constitution prohibit him from standing for the presidency next year.

Mr Angeloz recently said he believed the Radical Party had exactly the same chance of success in June 1989 as in November 1983, when the Radicals captured 52 per cent of the vote, against the main opposition Peronist party, which took 40 per cent.

However, the Radicals did badly in mid-term elections last September, losing all but two of Argentina's 22 provincial governments. In those elections Mr Casella failed to hold for the Radicals the key province of Buenos Aires, where almost 40 per cent of Argentina's 30m people live. It is held that the political party successful there stands the greatest chance of winning the presidential elections.

Victory in the province instead went to a Peronist, Mr Antonio Cafiero. He is now one of two candidates for selection by the Peronist movement for the presidential election. On Thursday the Peronists will stage their own internal election for presidential candidate. The result is less predictable than with the Radicals, as Mr Cafiero faces considerable opposition from another provincial governor, Mr Carlos Menem.

Angeloz, above, and Casella: committed to present policies

Buenos Aires to hold further IMF talks

BY GARY MEAD

AN Argentine delegation is to have further discussions with the International Monetary Fund this week on a vital new financial package.

Argentina is seeking IMF assistance to cover interest payments on its $56bn (£33bn) foreign debt for the rest of the year and through to the end of 1989.

An IMF delegation returned last Thursday to Washington after spending two weeks in Buenos Aires in talks with senior Argentine government officials.

Unofficial estimates suggest that Argentina requires $2.7bn this year for debt service. According to Mr Daniel Marx, director of Argentina's central bank, 92 per cent of that debt is held by commercial banks.

In the last two weeks Argentina has run very close to interest payments deadlines which, if exceeded, would under US accounting rules put the loans on a non-accruing basis.

Mr Marx said Argentina had made payments on June 24 – six days before deadline – covering payments due up to April 7. He added that further payments would be made this week, covering interest due up to April 14.

He denied that these late payments were a negotiating ploy by the Argentine Government. The cause of the delay, he added, was simply that Argentina had "very low foreign currency reserves".

President Raul Alfonsin's Government would like to see interest rates on Argentina's foreign debt cut to 4 per cent, a level which the Government regards as "historically appropriate".

The current IMF package for Argentina involves a disbursement of $1.253bn, of which $400m has yet to be released.

The targets set by the IMF for Argentina in 1987 included a fiscal deficit of 2 per cent. Conservative estimates suggest that 1987's fiscal deficit was at least 3 per cent and the Government's official figure for 1988, of 4 per cent, is widely regarded as optimistic.

Venezuelan general arrested for disrespect

By Joseph Mann in Caracas

VENEZUELA'S President, Dr Jaime Lusinchi, ordered the temporary detention of an army general after the official complained about not being promoted from brigadier general to division general.

Gen Roberto Andara Castillo, until recently Venezuela's military attaché in Washington DC, handed the PResident a note during an official ceremony in Caracas at which he and 109 other high-ranking officers were retired from active duty.

According to the general, who was decorated by the President at the ceremony, the note read: "My family and I will remember you always for having limited my professional career." Dr Lusinchi viewed the note as disrespectful and immediately ordered the general's arrest. The officer completed 48 hours of detention at the defence ministry at the weekend and was released.

This is the first time an open conflict has occurred between a Venezuelan president and a senior military officer in recent years. The incident does not suggest that a serious break is developing between the military and civilian leaders, but rather reflects the bruised ego of a general.

The general said that, on other occasions, he had told the president and his predecessor of cases where he believed they were badly advised in terms of military promotions.

Ortega steps into the marketplace

The Sandinistas recognise the time is not ripe for central planning and Marxist economics, writes Tim Coone

WAR and hyperinflation are not normally associated with a sound investment climate. But, in defiance of such minor inconveniences, a private Nicaraguan company which manufactures dairy products recently informed its shareholders that its directors wished to discuss the expansion of the company's capital base at a forthcoming shareholders' meeting.

What was most remarkable was that the company chose to advertise its intentions in the newspaper Barricada, the official organ of the Government and ruling Sandinista party. It does not tally well with the image presented by US embassy press releases of a "communist dungeon", in the clutches of a handful of hardline Marxists bent on spreading their collectivist creed through the Central American isthmus from the Rio Grande to the Panama Canal.

Last month Nicaragua's President Daniel Ortega made a speech to party leaders which only a few years ago would have sounded like heresy to the ears of a Latin American revolutionary. He said: "Our revolution is socialist-oriented, but we are not at the stage where the adoption of socialist measures will contribute to [our] principal objective, which is the defence of revolutionary power."

The damning implication of this historic statement is that Marxist economic theory has been unable to resolve the most pressing problems of Latin America's youngest revolution. The marketplace and orthodox adjustment policies are instead the order of the day. Price controls are being lifted, subsidies reduced, wage increases are to be kept lower than increases in prices, the exchange rate is to be moved on to a crawling-peg and interest rates are to be indexed to inflation to keep them positive in real terms – the first time since the 1979 revolution.

The combined effect will be to reduce two of the major imbalances in the economy, the balance of payments deficit and the fiscal deficit, and thereby alleviate some of the inflationary pressure in the economy.

The other main source of monetary emission and inflation, defence spending, is not to be cut while the war lasts but that does not detract from the significance of what is taking place under what has been dubbed Nicaragua's *perestroika*.

The adjustments are as severe on income levels as anything an International Monetary Fund programme would have demanded, aimed at producing a steady transfer of resources from consumers and wage earners to producers and exporters, the latter two mostly being private sector businessmen.

It is a rational policy in a country where output has been falling and price is the key factor in determining output levels – 60-70 per cent of economic activity remains in the hands of the private sector.

"The reality is that there is no other way to stimulate the producer who is motivated by economic incentives," said President Ortega in last week's speech. Earlier failure to recognise that reality, however, and efforts to apply hybrid Marxist economics and central planning targets to the economy, have been the cause of much of the rancour in Nicaraguan society and sown the seeds of the counter-revolution.

None the less, the new measures still came as a shock to most people and even Sandinista party officials admit to uncertainty over the possible political repercussions, especially when it comes to elections.

But the final recognition of failure of highly interventionist policies in what remains essentially a market-oriented economy is perhaps one of the most significant events of the Nicaraguan revolution and a watershed for the future.

Parties to the left of the Sandinistas argue for the expropriation and nationalisation of agricultural and industrial property of those unwilling to respond to government-controlled prices and planning goals, or produce under them. President Ortega has now given a definitive reply to that debate – it is not politically feasible, at least in the medium term.

Despite nine years in power, the Sandinistas do not feel confident enough to impose such measures – an admission that the Nicaraguan population is neither sufficiently willing nor politically prepared to facilitate a collectivisation of the economy. There is also the recognition that further international isolation which such radical measures would produce could help prolong the war indefinitely.

That is the bottom line of Nicaragua's *perestroika* and could prove to be an important signal to Washington. After all, if a radicalisation of the revolution cannot be carried out in the present circumstances it will be even less feasible (or felt to be even less necessary) under conditions of peace, when the battle over income distribution can be fought with improved economic performance and rising real incomes.

Thus the economic basis for a society based on political pluralism remains intact in Nicaragua. The space to be permitted to those diverse economic interests, to express their divergences and compete for power through their political representatives now lies at the core of the stalled peace negotiations with the Contra rebels.

The message from the Government – coming across with increasing emphasis to bring the Contras back to negotiations – appears to be: "Come home and do business and fight for your votes as we are going to have to do."

DEVELOPING NATIONS MUST WORK TOGETHER, URGES SARNEY

Brazil calls on China to help break technology monopoly

MR JOSE Sarney, Brazilian President, yesterday urged China to help break the wealthy countries' monopoly on advanced technology by joining with other developing nations in research projects, AP reports from Beijing.

Mr Sarney, speaking before Chinese and Brazilian officials and scholars at the Great Hall of the People, said knowledge should belong to the whole world, but much advanced technology is controlled by a few nations that use it to gain power over others.

"It may not be as barbarous as old-fashioned colonialism but it is more cunning and harsh," Mr Sarney said. "Let us unite forces to master technology, break monopolies and extend a hand to our even-poorer brothers."

One of the highlights of his five-day visit will be the signing of a bilateral satellite agreement on Wednesday. China and Brazil plan to develop and launch two research satellites in 1992 and 1994 at a cost of $150m, using a Chinese rocket.

Mr Sarney said the agreement was historic because it would break the big powers' monopoly over the satellite industry.

Mr Ruy Nogueira, Brazilian Foreign Ministry spokesman, said yesterday that China and Brazil make a good match in the satellite field.

"China has well-established technology as far as rockets are concerned. They are not that sophisticated but they are fairly reliable," he said. "Brazil has developed fairly sophisticated technology for receiving and analysing satellite data."

Chinese and Brazilian officials have been discussing co-operation in hydroelectricity and petrochemicals.

Mr Nogueira said an agreement would be signed to share data on combating tropical diseases such as malaria and yellow fever.

Increasing trade also was a major topic when Mr Sarney met with Chinese President Yang Shangkun and Premier Li Peng, also on Monday.

The official Xinhua News Agency said Mr Li and Mr Sarney agreed to work hard to end Brazil's surplus in two-way trade.

Brazil exported $361m worth of goods to China last year, while China's exports to Brazil totaled just $297m. One reason is the fall in the world price of oil, which accounts for 90 per cent of Brazil's purchases from China.

China has said it wants to interest Brazil in buying other products to end the imbalance.

Mr Giulite Coutinho, one of several Brazilian businessmen accompanying Mr Sarney, said there were many possibilities, including coal.

Mr Coutinho visited China in 1972 as head of the Brazil Exporters' Association, making Brazil's first contact with Communist China. Diplomatic ties were established in 1974.

Mr Sarney also was accompanied by several top military officers. China would like to sell Brazil its Y-7 fighter plane.

Just before Mr Sarney's speech, Beijing University President Ding Shisun awarded him an honorary doctorate and praised Mr Sarney as a statesman, writer and poet. Mr Sarney has published several books of political discussion, fiction and poetry.

A Chinese edition of Mr Sarney's latest work, a short story collection called Norte des Aguas, or North of the Waters, was introduced in a ceremony at the Great Hall. The stories describe life in northeast Brazil's Maranhao State, an arid region where Mr Sarney was born.

Canadian money supply rises over 12 months

IN THE week ended June 22, the Canadian money supply, narrowly defined to include only currency in circulation and demand deposits (M1), was C$36.59bn ($30.5bn), down C$109m from the revised total of a week earlier and up C$14m from a year ago, the Bank of Canada said, AP-DJ reports from Ottawa.

Chartered banks' general loans totalled C$144.27bn up C$104m from the revised total of a week earlier and up C$15.77bn from a year earlier.

The Bank of Canada said currency and checkable notice and personal term deposits, the M2 measure, totalled C$198.89bn, down C$425m from the revised total of a week earlier and up C$10.27bn from a year ago.

Currency and all checkable notice and term deposits plus foreign currency deposits of residents booked at chartered banks in Canada, the M3 measure, totalled C$244.65bn, down C$326m from the revised total of a week earlier and up C$14.16bn from a year ago.

Government of Canada cash balances as of tomorrow totalled C$2.2bn up C$635m from the revised total of a week earlier and up C$1.55bn from a year ago.

Canada Savings Bonds outstanding on Wednesday totalled C$51.12bn, down C$63bn from a week earlier and up C$8.75bn from a year ago.

Bank of Canada Treasury Bill holdings on Wednesday totalled C$8.78bn, up C$1.05bn from a week earlier and down C$713m from a year ago.

Peru bus drivers strike

PERUVIAN transport workers yesterday staged a 24-hour national strike to demand higher fares to keep up with soaring inflation, Reuter reports from Lima.

Mr Hernan Chang, secretary-general of the Federation of Drivers of Peru, said only a quarter of Lima transport was running by noon.

The union, which represents about 90 per cent of Peru's 300,000 bus and lorry drivers, began the strike at midnight on Sunday.

They were pressing demands for a 400 per cent rise in transport fares.

The 10 per cent of drivers who work for state transport companies did not join the strike.

Clues.

Across.

9. With all one's teeth, but unable to speak politely? (4-7).

12. Chief magistrate a Communist? That's shabby (3-5).

13. Once severely irritated (4).

15. Popular protest march takes a short time, we hear (7).

16. Great pleasure from the French match (7).

17. Is it constricting in S. America? No, Canada is worse (8).

19. Father takes a socially-acceptable wife from Cologne (4).

23. Brave, perhaps, to beg for bearing (5).

24. I bet mobs on the rampage made this area of devastation (4-4).

28. Bristling, but promise to send a few letters (6).

29. To a youngster, London without a teacher is a place of iniquity (7).

33. Regret one may find French vehicles here (3).

34. Decoration in song (5).

35. After grass, hard court may put you on this (4).

37. What a looker, say I! (3).

38. Two notes reveal what's in store (4).

39. Anteater concealed itself in a construction of cane (7).

42. Run away; after a point, take long strides (5).

43. Gather together for state service (4).

44. Clasp an old torch (4).

45. Willing to back girl's grievance (10).

Down to the left.

2. Lamenting collapse in coordination (9).

4. Mark the plan of action – one way to assassinate a character (5,7).

6. One offering no resistance to wonderful man on Clapham omnibus? (14).

8. Subdue modest knight (7).

9. Turned down as being less beautiful than before (5).

10. Naturalist's patch including the West Indies (6).

11. One that flies to meeting in America (3).

14. Call is close – there's nothing in it (5).

20. Here be dragons, of initially loathsome appearance (4).

21. He advised his son to get an overcoat and a sofa (12).

22. Combs out in full, such clever sequences of moves (12).

25. Ruth carried luggage for computer pioneer, some say (7).

26. Deserve to bear this bird (4).

31. Cat had pity for King Richard (9).

37. Final whistle at Twickenham coming up: he was first with a recording (6).

41. Repair colour of blood, taking oxygen (4).

Down to the right.

1. Boy Macbeth wanted to kill can feel sheltered (7).

3. Utter obscurity of Humpty Dumpty's word for "that's enough of that subject!" (15).

5. Suit-button is in need of repair or replacement (12).

7. Owner of a business, formerly a ploughboy? (11).

9. Keep battling in front of the trees, we hear – one way Churchill said we would defend our island (5,2,3,7).

12. Home protection that may make slightly heavy going? (4,6).

15. Grievously stinted, does he have a hand-to-mouth existence? (7).

18. A Scottish island gets hail (4).

27. One dried up French flower (5).

30. Children have morbid thoughts (5).

32. Check the way soldiers can go in and cope, for example (8).

36. Get back into the drizzle, say (6).

40. Man with a little list may be drunk, I'm told (2-2).

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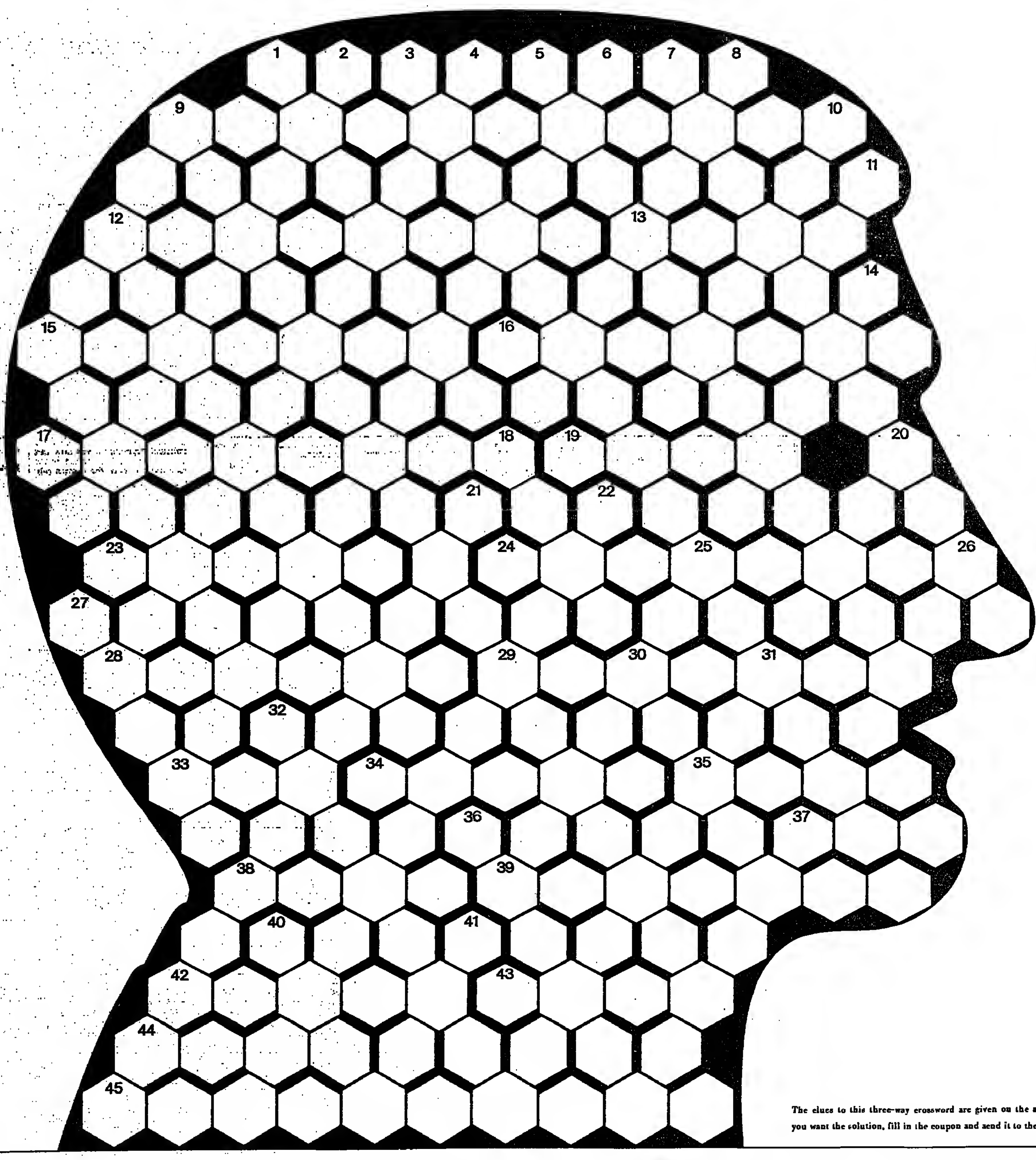

The clues to this three-way crossword are given on the adjacent page. If you want the solution, fill in the coupon and send it to the address shown.

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CRISIS IN THE GULF

Iranian bitterness likely to strengthen radicals' hand

BY ANDREW GOWERS, MIDDLE EAST EDITOR

IRAN WAS yesterday preparing for its biggest outpouring of bitterness against the US since the early years of the Islamic revolution, following the shooting down of Iranair flight 655 by a US warship on Sunday.

Large demonstrations are planned for today in every significant Iranian city, and Ayatollah Ruhollah Khomeini may break his public silence of the last few weeks to pronounce on the disaster. Threats of bloody retaliation have been coursing through the Iranian media, with Tehran radio promising yesterday to avenge the incident "in the same blood-spattered sky over the Persian Gulf".

On the face of it, a further radicalisation of the political climate in the country would appear to be under way. If so, it looks like bad news for Hojatoleslam Ali Akbar Hashemi Rafsanjani, the central figure in the Government, who until Sunday had been working hard to consolidate support for what he called "Iran's new foreign policy" of trying to win friends abroad.

Such a strategy, aimed at securing support for Iran's objective of having Iraq named by the international community as the original aggressor in the Gulf war, was never going to be plain sailing. Influential voices in Tehran, represented most powerfully in the Government by Mr Ali Akbar Mohtashemi, the interior Minister, say overtures to the West in search of a diplomatic solution to the conflict amount to "defeatism".

The night before the airliner disaster, Mr Rafsanjani attempted to answer critics by making the extraordinary admission on Iranian television that Iran had too often "pushed those who could be neutral into hostility and done nothing to attract those who could become friends".

In view of the weekend's events and the subsequent display of grief and rage in Iran, such an argument will become more difficult to sustain. Mr Rafsanjani has been conspicuously silent since the airliner was shot down.

Nevertheless, there are signs that Iranian officials are attempting to turn the tragedy to political advantage in their dealings with the West, and are embarking on a concerted campaign to garner international sympathy. At a press conference in London yesterday, Mr Akhund Zadeh Basti, the Iranian chargé d'affaires, sought to seize the moral high ground, accusing the US of a "deliberate act of massacre", and calling for immediate and unconditional international condemnation of the incident.

But he maintained a studious vagueness about any retaliation, and about the prospects for Iran's relations with the US and other Western countries. He seemed to suggest that Iran's reaction in coming weeks would depend on the strength of international condemnation of the US. After the press conference, he was off to call on Sir Geoffrey Howe, the British Foreign Secretary.

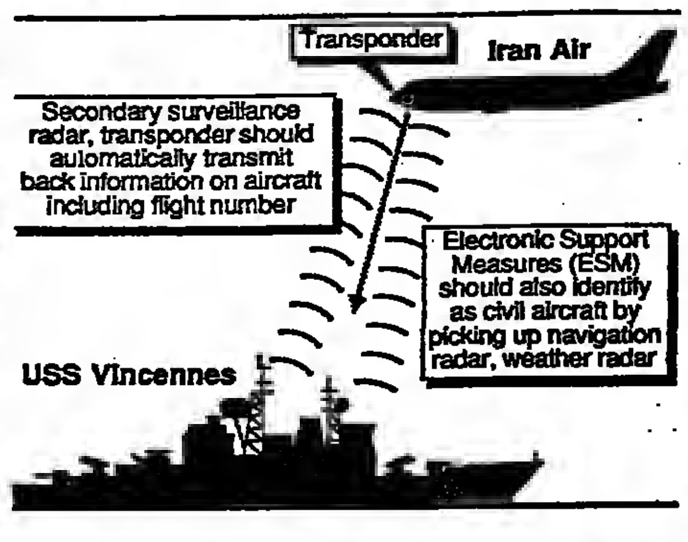
Iran has much to gain from keeping the diplomatic channels open at this difficult time. In the first place, the shooting down of the airliner can be seen as a fulfilment of Tehran's direst warnings since the US naval build-up in the Gulf began last year. Iran may wish to persuade other countries, and especially the Arab Gulf states, to reduce their support for what it argues is an inflammatory military presence.

The Western hostages held by pro-Iranian groups in Lebanon remain a central bargaining chip in Iranian eyes and are therefore unlikely to be killed while there is a chance that they will yield political dividends.

The Iranian leadership has always made a clear distinction between its dealings with the US and with other Western nations – with the frequent exception of Britain. It may have concluded now that its aims would be well served by drawing that line more clearly than ever.

The radar systems that should be foolproof

BY DAVID WHITE, DEFENCE CORRESPONDENT



"IF THEY had just looked out of the window, at 7,500 feet it should have been clearly visible to the naked eye whether it was a civil or military aircraft," a civil aviation official said yesterday.

Even if the haze prevented the Iran Air Airbus A-300 from being visually identified from the USS Vincennes on Sunday, it should have been possible by two means to distinguish it from a hostile fighter, according to radar experts.

From the blip on the ship's primary radar, they say, it may have been genuinely difficult to establish the size of the aircraft if it was coming head-on.

However, a secondary surveillance radar should have elicited a response from the airliner's transponder, placed in its nose, giving information which would have made its civilian nature unmistakeable. This, according to civil aviation officials, would include its flight number and destination. This kind of interrogating radar is used routinely in civil air traffic control and is usually regarded as totally reliable.

Failing that, radar experts say that electronic support measures (ESM), also built into the warship's highly sophisticated control system, should have been able to pick up signals such as the aircraft's navigation system, making clear its nature and origin.

Patently the process of feeding information into the computer system, assessing by elimination the probabilities of an attack, had 'failed to operate, but for what reason is a mystery.

The complexity of automated naval command and control systems was demonstrated last year when the UK Ministry of Defence cancelled the CACS 4 being developed by Ferranti for the Royal Navy's new Type 23 frigates. At least the first three of the new frigates are expected to enter service without any control system because of the delay.

The USS Vincennes, commissioned only three years ago, incorporates the Aegis command and control system, developed principally by RCA and designed as the US Navy's main defence system. Able to assess simultaneous threats, it has as its heart SPY-1A "phased-array" radars – which do not rotate but are made up of planar faces – for searching and tracking targets and and controlling missiles.

The SM2 version of the Standard tactical surface-to-air missile was developed to match the Aegis system. A version of this missile is being developed for the US Navy with a low-yield nuclear warhead.

Little is known publicly, however, about the software of the system, which some suggested yesterday might be the key to the Airbus tragedy.

Some experts, on the other hand, laid the blame with the Iran Air pilot, speculating that he had switched off his transponder and other equipment, a practice they said was not uncommon when airliners are "cutting corners". Others, however, said it was highly improbable that he should have shut down his equipment on such a short trip as that from Bandar Abbas to Dubai or that he should have been using a military frequency to transmit.

Naval warfare experts said yesterday they virtually ruled out a hardware failure aboard the Vincennes, since the radar system was self-correcting and designed to continue being effective even when many of its elements were down. Moreover, if there had been a problem with the system, the cruiser would have been unlikely to enter an engagement with surface vessels.

However, they said high levels of electromagnetic energy in the region might have led to confusion about the size of the radar signal initially received, and a rushed decision might have been prompted by the aircraft's arrival during the skirmish with Iranian gunboats and by the experience of the missile attack on the frigate USS Stark last year.

Moscow calls on US to pull out

BY QUENTIN PEEL IN MOSCOW

THE SOVIET Union yesterday blamed the Iranian airline disaster in the Gulf directly on the big US military build-up in the region, but stopped short of any furious condemnation of the shooting.

It called for the US naval fleet to leave the Gulf without delay, to be replaced by a UN force.

Still smarting from the massive international denunciation which greeted its own shooting down of a South Korean airliner over Soviet airspace in 1983, Moscow sought to restrain its natural desire to exploit the propaganda potential of the latest disaster to the full.

It left the job to its press and radio commentators, one of whom described the latest shooting as "deliberate mass murder in cold blood."

The disaster could hardly prove more timely for Soviet policy in the region, which has consistently been directed to reducing the US military presence in the Gulf, but was itself flawed by Moscow's refusal to go along with an arms embargo on Iran for failing to observe a UN-sponsored ceasefire.

The official reaction, read out by Mr Gennady Gerasimov, the Foreign Ministry Spokesman, said: "The tragedy, responsibility for which is wholly with the American command, was far from accidental. It is a direct result of US actions over the past year to increase its military presence in the Persian Gulf.'

The sharpest commentary, broadcast by Moscow Radio for foreign listeners, said the attack on the airliner was premeditated.

The incident shows the increasing sophistication of Soviet foreign policy reaction – and the unchanged nature of some of its propaganda arms, in spite of the era of *glasnost*.

In Bahrain, Gulf Arab states fear the incident could bring fresh pressure on the US to call its navy home.

Diplomats in the region said the downing of the airliner was deeply embarrassing for Gulf states which had strongly backed the US deployment.

In Peking, China condemned the US for downing the airliner, and emphasised its opposition to any "big-power military involvement" in the region.

In Damascus, Syria, Iran's main Arab ally in its war with Iraq, said yesterday the shooting was an ugly crime.

MUTED RESPONSE FROM US CONGRESS

Reagan calls tragedy an "understandable accident"

BY NANCY DUNNE IN WASHINGTON

THE AMERICAN downing of an Iranian civilian jetliner, during which more than 280 people lost their lives inevitably cast a shadow over the US independence day celebrations yesterday.

On a day generally reserved for parades, barbecues and fireworks, millions of Americans turned on their television to see the sobering images of victims' bodies floating in the Persian Gulf.

Returning to the White House for the holiday celebration, President Reagan called the downing an "understandable accident".

"I won't minimise the tragedy. We all known it was a tragedy. But we're talking about an incident in which a plane, on radar, was observed coming in the direction of an ship in combat, and the plane began lowering its altitude.

"So I think it was an understandable accident," he said.

Reaction from Congress to the tragedy trickled in, as most members had left town for the holiday. In general, the response was muted with support expressed for the President if not for his Gulf policies.

Gov Michael Dukakis, the prospective Democratic presidential candidate, said the US armed forces have the right to defend themselves when attacked.

Senator Sam Nunn, chairman of the Armed Services Committee, decried the "great tragedy" and said he was awaiting additional information.

Senator Paul Simon, a former Democratic presidential candidate, said Iran was largely to blame because of its "irresponsible conduct during these past years." However, he added that US policy errors, in getting more involved in the Gulf that security needs require are "partially responsible for this tragic loss of life that we all regret."

The strongest criticism came from another presidential hopeful, the Rev Jesse Jackson, who said: "It was another result of our being in the Gulf for more than a year without a defined policy, the combination of guided missiles and a misguided policy."

The Pentagon has promised a thorough review of downing as well as the rules of engagement which govern the circumstances under which a commander may order an attack.

These rules are secret, but it is known that they have been allowing for increased aggressiveness as US naval captains have sought to protect US interests against hostile and unpredictable Iranian attacks.

According to Admiral William Crowe Jr, chairman of the Joint Chiefs of Staff, "A decision was made early in the commitment to give our commanders sufficient latitude to protect their people and equipment when hostile intent was manifested."

The obligation to protect their ships was made clear when the American frigate Stark did not defend itself in May, 1987, against two Iraqi missiles and 37 crew members were killed.

Questions were raised about US readiness and, in the criticism that followed, the captain of the Stark and three members of the crew were disciplined.

In June, Pentagon officials told Congress that naval escorts were operating under hair-trigger rules of engagement.

In September, the Pentagon announced that as a result of the Stark and other incidents, notice had been issued to airman which advised all aircraft in the Persian Gulf region that US Navy ships were taking additional precautions and aircraft would have to identify themselves. Thay were advised that failure to respond to warnings would place their crafts at risk.

Mr Jim Wright, Speaker of the US House of Representatives, yesterday described the shooting-down of the Iranian airliner as "a deeply regrettable accident" which placed the US in "an awkward and uncomfortable situation", Robert Mauthner writes.

Mr Wright said in London, after seeing Mrs Margaret Thatcher, that the British Prime Minister was "very supportive and understanding of our anguish".

Describing the incident as "a great tragedy", Mr Wright defended the commander of the USS Vincennes, which had fired the missiles that brought down the aircraft. "It was a clear case of mistaken identity."

It was clear the radar screens on the ship could not distinguish between friend or foe, or a large Airbus and an F-14 military aircraft flying head on.

Mr Wright said he had made similar mistakes of identification during World War II, though he had been an expert.

The commander clearly had in mind the incident last year when the captain of the USS Stark delayed firing on an attacking Iraqi aircraft, resulting in the holing of his ship and the death of 37 of his men.

OTHER OVERSEAS NEWS

New Zealand deficit 'to stay at 2% of GNP'

BY DAI HAYWARD IN WELLINGTON

THE NEW ZEALAND depnty Prime Minister Geoffrey Palmer confirmed yesterday the financial deficit (before sales of assets) would be about the same as last year, about 2 per cent of gross domestic product or NZ$1.4bn ($945m).

The Cabinet met without Mr David Lange, the Prime Minister, wbo is in an Auckland hospital suffering from angina.

The Cabinet confirmed July 28 as the date of this year's hudget.

Mr Lange is reported to be progressing well after being admitted to hospital at the weekend with chest pains. Doctors say he is suffering from a restriction of the arteries, but suggestions that he might require an operation have been dismissed. Mr Lange was suffering from influenza last week when he addressed tbe National Press Club and dropped his bombshell about the forecast budget deficit this year having blown out to NZ$3,200m, before remedial action was taken.

Finance Minister Roger Douglas, to quell fears in the financial markets, said in response that a bndget surplus inclnding asset sales of NZ$1bn was planned. The contrasting approaches of the Prime Minister and his Finance Minister continue to fuel speculation of a rift in outlook between the two.

Mr Palmer would not comment on wbether there would be any changes to the proposed personal tax cuts, or wbetber there would be any increase in the rate of goods and services tax.

Indications are thet there is still a gap to be bridged before Mr Douglas's stated budget target can be met. It appears ministers have gone as far as they can in cutting spending, and attempts are now being made to boost revenue. Likely targets will be further cigarette and alcohol duties and further increases in government charges.

The Prime Minister has been kept fully hriefed on Cabinet's deliberations from his hospital bed. It is expected he will remain in hospital for a few more days.

Monsoon in most of India ends five year drought

BY K.K. SHARMA IN NEW DELHI

THE Indian Meteorological Office announced yesterday that the monsoon had now hroken all over the country, with the exception of Gujarat state in the west, hringing an end to a prolonged and disastrous drought.

This last year's drongbt in India affected the entire country and was the worst in more than a ceotury. It had caused an acute shortage of drinking water and led to a sharp fall in agricultural and industrial production.

Foodgrain output fell to 134m tonnes, a drop of more than 15 per cent, leading to a serious depletion of the Government's food stocks, and India bad to make its first grain imports in almost a decade.

Industrial production was hit by power shortages because of falling reservoir levels at hydro-electric plants.

The consequent severe strains on the economy meant not only that there was no overall growth last year, hut scarce foreign exchange reserves were drawn down to make unavoidable imports of food, edible oil and other essential consumer goods at a time when the current account deficit was already causing concern.

The hreaking of the monsoon has been welcomed since it ends the disastrous drought thet has lasted in some parts of the country as long as five years.

Savimbi keeps apart from Pretoria

BY ANTHONY ROBINSON IN JOHANNESBURG

MR JONAS SAVIMBI, guerrilla leader of the Angolan rebel Unita movement, who is due to arrive in London from Washington this week trailing his usual albatross – a decade-long legacy of South African military and logistical support.

For most people to be labelled a lackey of the "apartheid regime" would be tantamount to the kiss of death. But Mr Savimbi is still very much alive and battling to gain international support for his inclusion in a future coalition government in Lnanda. *Internal* reconciliation, he argues, is as vital to a solution of Angola's problems as the current search for a settlemant of the international dimension of the 13-year Angolan civil war.

Given that the British Government, unlike Washington, recognises the MPLA Government, protocol dictates that Mr Savimbi will not meet Mrs Thatcher. But he will tell all prepared to listen that he wants a multi-party democracy and a free enterprise economy based not on oil – currently Angola's main export – but on developing agriculture and re-building viable village life in the countryside where 85 per cent of Angolans live.

Mr Savimbi's many enemies have never quite been able to make the stooge label stick. This is partly because the bearded, powerfully-built, 54-year-old leader, despite a gold watch, ivory-handled pistol and swagger stick with his well-cnt army fatigues, neither looks nor acts like anybody's stooge.

He has welded together Africa's best disciplined and motivated guerrilla army. Its 65,000-odd fighters are armed mainly with Soviet-snpplied weapons captured from government forces.

Mr Savimbi admits that he has relied on South Africa for air strikes and logistical support, and on the US for supplies of Stinger ground-to-air missiles. But these, he argues, have been needed mainly to ward off massive set-piece Soviet- and Cuban-inspired offensives, such as last August's failed attack against Mavinga.

He has been nearly 30 years in the bush, apart from his studies in Portugal and Switzerland and guerrilla training in China. Unlike the rebels in Mozambique, Unita has a legitimate political pedigree, established during the struggle against Portugal, and recognised by the 1975 Alvor agreement.

This agreement provided for a coalition government made up of all three liberation movements – the US-supported FNLA, the Soviet-supported MPLA and the Sonth African-snpported Unita – to be followed by elections.

Mr Savimbi's aim is a return to the Alvor formula which foundered after the Soviet-Cuban airlift of arms and troops in October 1975. Thanks to Cuban and Soviet support the MPLA outgunned the FNLA, Unita and their backers.

The Unita leader defends his South African links by drawing a comparison with Churchill, who clasped hands with Stalin in 1941 on grounds that "the enemy of my enemy is my friend". He supported President P.W. Botha's now defunct "reform strategy", hnt attacks apartheid like the best of them.

He says that once peace comes there will be no place for South African forces, nor bases for the African National Congress and the South West Africa Peoples Organisation. He supports Namibian independence and calls Swapo a liberation army – not "terrorists", as Pretoria will have it. Meanwhile, in his view, the real stooges are in Luanda.

In a recent interview with the FT at his bush headquarters in south-eastern Angola Mr Savimbi claimed he could survive a cut-off in foreign aid while the Soviet-supplied and Cuban-protected MPLA government led by President Eduardo dos Santos could not. In a way, that is the heart of Mr Savimbi's problem. He has to prove that he would work with the MPLA rather than supplant them.

Savimbi: no stooge

Colina MacDougall on embarrassment over the Dalai Lama's lobbying for his people

Treatment of Tibet gives Peking a bad press

TIBET IS becoming a foreign policy headache as well as a serious domestic problem for the Chinese. It is the one issne over which Peking's behaviour gets an extremely bad press abroad.

Since China embarked on its reforms and open-door policy 10 years ago, the rest of the world has offered belp and encouragement. Now, with Chinese repression in Tibet clearly evident following the Lhasa riots last October and March, the gloss has begun to wear off its new reformist image.

The Dalai Lama's initiative at Strasbourg in mid-June, wben he outlined to European Parliament members proposals for a semi-autonomous, demilitarised and democratic Tibet, replacing old demands for full independence, has embarrassed Peking further.

It resents what it regards as interference in its internal affairs by outsiders such as MEPs. And it must be taken aback at the way the spiritual leader bas emerged over the past year from religious seclusion in India into the focus of a growing campaign to call ettention to the plight of his homeland.

The official Chinese reaction so far to the Dalai's speech has been low-level, voiced by Foreign Ministry spokesmen or embassy officials. The gist is pretty much the same in all cases, that, as one said, Tibet sbould not be allowed to become "independent, semi-independent, or gain independence in any form".

Although China has said that the Dalai is welcoma to visit Peking for talks on any issue except independence, there is no overt recognition that the Dalai's new stance makes this possible.

More considered

Tibetans believe Peking may prodnce a more considered response later, and indeed one Chinese official in London has commented: "We are studying it carefully." The Dalai and his advisers believe that some people within the Peking leadership – almost certainly including the party boss, reformist Zhao Ziyang – are in favour of negotiation to resolve the Tibet issue.

In the meantime, however, Peking is strengthening the police in Lhasa to deal with "separatists" and reviewing its military logistics problems, which are considerable given the topography of the region.

Peking is feeling the pressures caused by the publicity the Tibet issue is attracting. After tha Dalai's speech a Foreign Ministry spokesman in the Chinese capital objected to the fact that he was given a platform, saying China opposed "foreign organisations and individuals which provide support of any kind to the Dalai Lama's activities aimed at undermining China's territorial integrity".

Earlier this year the Chinese tried to persuade Baroness Elles to withdraw her invitation to the Dalai to address MEPs. They lobbied hard with Lord Plumb, president of the Parliament, to prevent it. When the Dalai visited London last spring, they pnt pressure on respected British figures such as the Archbishop of Canterbury not to receive him.

In some areas the Dalai'a new plan echoes the original 1951 17-point agreement signed hy the Chinese (though never kept by them) and a gronp of Tibetan leaders (allegedly under duress at the time). Point three says "the Tibetan people hava the right of exercising national regional antonomy", and other points require maintenance of religious belief together with Tibetan education and culture.

But the Dalai's proposal sets out a string of additional ideas. He proposed a popularly-elected Chief Executive and a legislature, opting out of government himself. He seeks an immediate end to Chinese immigration into Tibet and safeguards for human rights. Perhaps most contentious, he wants the Chinese to withdraw their military and nuclear forces following a conference of regional powers.

Is it realistic to expect the Chinese to negotiate on these terms, or indeed at all? They have the military might to suppress Tibet completely, and bave said that a Hong Kong-type solution is not applicable to areas already within China. Some leaders want a peaceful settlement, but is the situation there anything like damaging enough for China to contemplate discussions?

Mountain region

Possibly it is. Tibet is a sizeable prohlem, being a mountain region the size of western Europe, mostly over 10,000 feet in altitude, full of angry and despairing Tibetans.

Tha two anti-Chinese riots were in full view of foreign visitors. A guerrilla war of sorts went on for 15 years, and its resumption would cost Chinese lives and hardware as well as endangering tourist and mineral development plans. The spiritual leader fears more violence if nothing is done to improve conditions.

Pressure on the Chinese, so far minor but noticeable after years of a total void, is likely to grow as the Dalai's publicity campaign continues. This may prove inconvenient as they seek good relations abroad to enable them to concentrate on economic development.

This pressure is still on a personal rather than governmental level;

One sign that Sino-Tibetan discussions are not impossible is that lines of communication between the Dalai and the Chinese are already open. When in London, he said he was in touch with Chinesa officials, and believed that some wanted to see a solution to the Tibetan problem.

A Tibetan official called at the Chinese embassy in London during the spiritual leader's visit and a fuller version of the Strasbourg proposal was sent to the Chinese embassy in Delhi the day before it was delivered. But it remains to be seen whether the pressures on Peking are strong enough for it to feel it has to respond.

Protesters bomb US embassy in Manila

ABOUT 5,000 protesters demanding the removal of US military bases in the Philippines yesterday hurled crude bombs at police near the American Embassy, wounding at least six people, police said, AP reports from Manila.

A second large anti-US protest outsida Clark Air Base ended peacefully.

Violence erupted ontside the US embassy near the end of the three-hour protest as some demonstrators hurled rocks and sticks at the outnumbered riot police before running off. There were no reports of injuries.

Then two homemade bombs exploded, showering police with shrapnel but causing only minor injuries. Five policemen and a female bystander received burns and small cuts.

Police Lieutenant Colonel Robert Barbers said at least three home-made bombs spiked with one-inch nails were thrown at the police lines.

The demonstrators included students, peasants, factory workars, teachers and at least one member of the House of Representatives, Mr Bonifacio Gillego.

In Angeles City, some 50 miles north of Manila, about 3,000 protesters rallied outside the gates of the US-run Clark Air Base.

About 200 Filipino troops manning Clark's main gate stood behind barbed wire barricades while a helicopter gunship hovered overhead, but the four-hour rally ended peacefully.

Both rallies were demanding the closure of Clark, Subic Bay Naval Base and four smaller installations which the US maintains in the Philippines.

Thousands in Seoul demo

THOUSANDS of dissidents and students yesterday marchad through Seoul to damand the Olympic Games be shared with communist North Korea, AP reports from Seoul.

Police said it was the first time in recent years militant dissident groups had been allowed to stage a street march.

Police said yesterday they had arrested 1,784 people in the firstweek of an anti-crime campaign for the Olympic Games in Seoul.

World textile markets 'likely to become more competitive'

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

WORLD TEXTILES markets are destined to become even more competitive in the next decade as productivity continues to improve, according to a new review of the industry.

However, conditions may ease if fibre consumption can be stimulated and demand can be increased above current sluggish growth estimates of 2.4 per cent a year by the mid-1990s.

The review, just published by the Economist Intelligence Unit, says that despite these continuing pressures, there are signs that the tide may be turning for textile companies in the developed world.

"Long-held theories about where textile and clothing will be made in future are being challenged," it claims. Confidence is growing that restructuring could lead to a situation where industries in both developed and developing countries can co-exist while trade continues to grow.

At about $130bn (£72m) a year, and despite restrictions imposed by the Multi-Fibre Arrangement, it is already increasing twice as quickly as world trade in general.

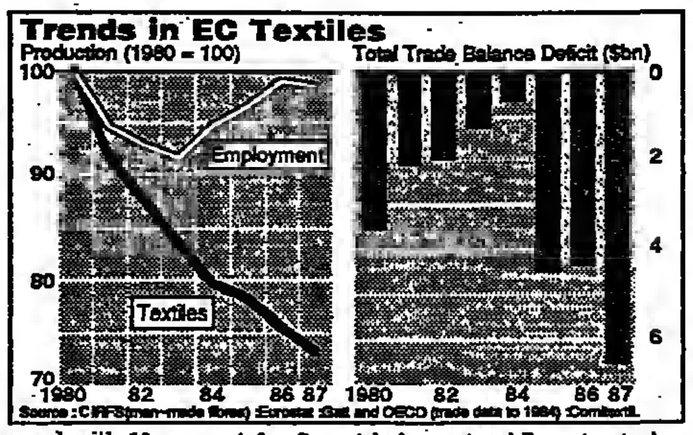
Much has been made in the past 10 years of the rise of Hong Kong, China and Taiwan as major exporters, and the invasion of the US by imports. The US, ranked 13th in the world importers' league in 1979, is now placed second behind West Germany.

However, Germany, which bought $6.6bn-worth of textiles and clothing in 1986, is also the world's leading exporter, with sales of more than $8bn in that year. Italy came second, with Japan and China close behind.

Labouring under several apparent handicaps including high wage costs, little in the way of government subsidies, the relative strength of the D-Mark and the fact that its capital-intensive mills are allowed to work only six days a week, the West German industry has succeeded in remaining competitive.

Its main strengths, the report says, stem from radical restructuring, the flexibility of its 1,700 mainly small-to-medium-sized companies, their concentration on speciality high-added-value products, and a willingness to invest in modern machinery.

Investment in 1986, for example, was DM 1.7bn (£566m), about DM 7,470 per employee, compared with DM 4,260 in 1980. Productivity increased 24 per cent, compared with 16 per cent for German industry as a whole.



To some extent, West German textiles and clothing manufacturers was helped by the constraining effect on developing countries' exports while restructuring was undertaken.

In Britain, on the other hand, where the industry has had about 30 years to tackle it problems, it has been actively restructuring for only 10 years.

"The US industry, cushioned from the worst effects of the first oil crisis by artificially low energy and feedstock prices, has only in the past five years had to face the reality of its introspection," the report says.

In contrast with West Germany, whose 10 biggest companies account for only 6 per cent of the industry's sales, 30 per cent of UK turnover is in the hands of four manufacturers.

But the British structure has its strengths, such as the ability to deliver large volumes of product to retail chains at short notice – important when fashions can change overnight.

With improved product design showing through, these large companies are also better able than some smaller operations to handle export marketing, the review claims.

Although the British industry has lagged behind its main competitors in investment, there are now signs that capital spending is rising, up 23 per cent in the first nine months of 1987.

UK labour costs are among the lowest in the industrialised world, only marginally higher than in Spain and far below those in West Germany and the US.

Helped along by currency factors, exports to the European Community increased last year by 3.5 per cent, but this did little to ease the country's trade deficit in textiles and clothing, which rose from £198m in 1980 to £1.6bn last year.

World Textile Trade and Production Trends, EIU, 40 Duke Street, London W1A 1DW. £150 in Europe, $295 North America, £153 rest of world.

UK group in Soviet pay phone venture

By Hugo Dixon

GEC PLESSEY Telecommunications has formed a joint venture with the Soviet telecommunications authorities to supply and operate pay phones in Moscow.

The agreement provides for about 100 credit-card operated phones to be installed in the 12 months from next April.

The phones will be aimed primarily at the growing oumber of foreign visitors to the Soviet Union and will be placed in such locations as airports and hotels.

Because they will use Western credit cards, such as Visa and Mastercard, they will produce a source of hard currency revenue both for the Soviet Ministry of Telecommuoicatioos aod for GPT, which was formed this year when GEC and Plessey merged their telecommunications activities.

Mr Peter Brown, maoaging director of GPT Payphones, said he was "tremendously excited" by the deal. It would opeo up the Soviet market to other GPT products, such as coin-operated pay phones, he said.

He was less sure, however, how much it would further GPT's campaign to sell its System X digital switches to the Eastern bloc.

Ronson lighters may be made in India

BY JOHN ELLIOTT IN NEW DELHI

INDIA is expected to be producing one of the world's best-known brands of cigarette lighters from the beginning of next year.

Subject to completion of final negotiations, it is being chosen by Ronson of the UK in preference to Ireland to take over world-wide manufacture of the company's long-established Premier and Comet brands.

Ronson plans to move the production line to a plant at Faridabad, just outside Delhi, which will send about 1m finished lighters a year back to the UK. The lighters will also be sold in India – where there would be no significant competition – and the Soviet Union.

The factory is owned by the Delhi-based Bhagat business family, who are also planning to start making French perfumes in India for the Soviet Union.

Ronson had been planning to move to Ireland, but was approached by the Indian company, which estimates that India's labour costs are half those in the UK.

Bhagat has just obtained the necessary Indian government licences, and Ronson said negotiations were almost complete.

Initially, Bhagat expects to import 80 per cent of the components, including flints from China. In line with its usual policies, the Indian Government is insisting that 90-95 per cent of the production should be Indian-made within five years.

Production is due to start early next year with Ronson probably buying back over 10 years at least 1m lighters a year, or 60 per cent of a larger production total later. Bhagat estimates that this should yield exports totalling £56m over 10 years.

Ronson is not taking any direct financial stake in the venture, which involves an investment in India equivalent to about £2m.

Japan seeks end to tropical products barriers

BY WILLIAM DULLFORCE IN GENEVA

JAPAN HAS submitted its proposal for removing barriers to imports of tropical products, from coffee to jute, complementing previous offers from the EC and the US in a $60bn-a-year (£33bn) worldwide trade which is particularly sensitive for Third World exporters.

However, like those of the other two major trading blocs, Tokyo's prescription is hedged with reservations.

It falls well short of satisfying developing nations' demands and drew criticism from some developed countries, such as Australia, when it was tabled last week in the group negotiating on tropical products in the General Agreement on Tariffs and Trade.

The 96 countries participating in Gatt's Uruguay Round have agreed to give priority to achieving an agreement that would lead to the widest possible liberalisation of trade in tropical products, some 80 per cent of which originate in developing countries.

The negotiators' target is to have an accord ready for trade ministers when they meet in Montreal in December for the mid-term review of the Uruguay Round, so that it can become effective next year.

So far, the talks have been marked by foot-dragging on the part of the industrial countries in the face of the developing countries' claim to have been promised an across-the-board elimination of tariffs and the removal of non-tariff obstacles.

Japan proposed to do away with duties on unprocessed products and to eliminate or reduce duties on processed and semi-processed products "by the maximum possible percentage".

It would also cut peak tariffs oo sensitive products to a fixed ceiling. Removal of non-tariff barriers could be negotiated oo a bilateral request-and-offer basis, Tokyo suggested.

Overlap with the agriculture talks is looming as a hurdle in the way of an early agreement on tropical products.

Caribbean countries set to decide on free trade

BY CANUTE JAMES IN ST JOHN'S, ANTIGUA

THE Caribbean Economic Community is to decide this week if the small economies of its members can withstand the effects of the removal of all restrictions to trade within the group.

The political leaders of the 13-member organisation will study, at the community's annual summit in Antigua, proposals to dismantle all barriers to trade by this October.

The proposals are aimed at removing a maze of tariff and non-tariff barriers and quantitative restrictions maintained by national governments.

The summit is also studying the potentially stormy issue of the removal of exchange controls. Most governments in the region have been restricting imports through curbs on scarce foreign exchange.

Since it was created 15 years ago, the community, made up of the English-speaking countries of the region, has been struggling to find common ground on proposals for free trade.

Several community members, particularly the smaller islands of the eastern Caribbean, have argued that their fledgling industries need continued protection.

The economies of most members are based on commodities such as sugar, bananas, bauxite and oil, and on tourism. Several have started developing light industries, including garments, food processing, furniture manufacturing and the assembly of electrical appliances.

The group's failure to agree on free trade has been blamed by business leaders and government officials for the progressive decline in the value of intra-community trade over the past six years. Trade [illegible] fell from $399m (£232m) in 1981 to $294m in 1986.

Mr Roderick Rainford, the community's secretary-general, said on Sunday there were signs of a revival, with the value of trade between members growing by 8 per cent last year.

While the political leaders of the community agree that the region's economies will be better off if all barriers to trade are removed, some still want some industries to be protected.

"We think that certain exceptions will have to be made. If not, some industries will die," said Miss Eugenia Charles, Prime Minister of Dominica.

But Mr George Mallet, Trade Minister of St Lucia, is urging community members to respect the undertaking to dismantle all barriers to trade by October. Mr Rainford has suggested that some concessions may have to be made by the heads of government this week.

He hoped that the concerns of countries would be taken into account. One possibility was that if a country had difficulties with particular products, these might be excluded, while still meeting the target date.

The heads of government will decide this week whether a regional export bank to provide pre- and post-shipment financing can be started with $16m from their own resources.

Norway sees 17% rise in trade with Soviet Union

BY KAREN FOSSLI IN OSLO

NORWAY'S Export Council is forecasting an increase of 17 per cent this year in trade with the Soviet Union.

Until now, Norway's exports have remained stable at about NKr600m (£60m) annually.

Negotiations recently ended for Norway to supply the Soviet Union with NKr100m-worth of electronics, machinery and paper products. Contracts are soon to be signed.

Last year, however, the Norwegian government introduced tough legislation to protect Western technology from export to the Soviet Union after it was discovered that Kongsberg Vaapenfabrikk, the arms maker, violated Cocom rules when it exported numerical control systems to the Soviet Union.

This could limit Norway's exports to the Soviet Union if they are categorised as "strategic goods".

However, there are evidences of new exports potential which falls outside the strategic goods classification.

Barents Offshore Consortium (Boconor), the Norwegian company formed five years ago to represent Norwegian suppliers of offshore oil and gas industry goods and services, is negotiating the supply by the Norwegian engineering and construction companies, Norwegian Contractors (NC) and Astrup Hoeyer, of six navigation/lighthouse towers.

The two companies are in the last phase of bidding to supply the towers, to be located in a channel in the Baltic Sea near the Latvian city of Ventspils.

Talks between Norsk Hydro and the Soviet Union are continuing for a co-operation deal in aluminium production on the Kola Peninsula.

Norway is already co-operating with the Soviet Union in the field of fish-farming.

Trade in this sector is also expected to increase. In January, Norway and the Soviet Union signed an export credit agreement for Ecu 75m (about £32.8m) during a three-day visit by the Soviet Prime Minister, Mr Nikolai Ryzhkov.

FT LAW REPORTS

Presence of one token man does not disqualify woman's equal pay claim

PICKSTONE AND OTHERS v FREEMANS PLC

House of Lords

(Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Oliver of Aylmerton and Lord Jauncey of Tullichettle): June 30 1988

A WOMAN may claim parity of pay with a specified male colleague whose work is of equal value to hers, and she is not precluded from doing so by the fact that another man is employed in the same work as she is.

The House of Lords so held when dismissing an appeal by the employer, Freemans plc, from a Court of Appeal decision on a preliminary point, that Mrs Pickstone and four other female employees were entitled to claim equal pay with a man for work of equal value.

LORD KEITH said that under the Equal Pay Act 1970 which came into force with amendments on December 29 1975, a woman employee could claim parity of pay with a male employee in the same establishment only where she was employed on "like work" with the man (section 1(2)(a)), or where she was employed on work "rated as equivalent" with his (section 1(2)(b)).

By section 1(5), a woman's work could only be rated as equivalent to that of a man if her job and his had been given equal value on a job evaluation study.

A job evaluation study could not be carried out otherwise than with the consent of the employer.

The EC Commission took the view that that state of the law did not comply with the UK's obligation to implement article 119 of the EC Treaty, enjoining application of the principle that men and women should receive equal pay for equal work, together with the Equal Pay Directive adopted by the Council on February 10 1975.

In *Commission v UK [1982] ICR 578,599* the European Court of Justice declared that by failing to introduce measures to enable all employees to obtain recognition of work of equal value, the UK had failed to fulfil its obligations under the EC Treaty.

The UK took steps to correct the defect in its equal pay legislation. It introduced the Equal Pay (Amendment) Regulations 1983. Regulation 2(1) inserted a paragraph (c) after section 1(2)(b) of the 1970 Act.

Paragraph (c) provided that where a woman was employed on work "not being work in relation to which paragraph (a) or (b) applies," and which was "of equal value to that of a man in the same employment," any term of her contract should be treated as not less favourable than a similar term in that man's contract. Also, if her contract did not include a term corresponding to a term benefiting him, it should be treated as including such a term.

In the present case Mrs Pickstone was employed by Freemans as a "warehouse operative." She claimed that her work as such was of equal value to that of a Mr Phillips, who was employed in the same establishment as a "checker warehouse operative," and who was paid £4.22 per week more than she was.

However, one man was employed as a warehouse operative, doing the same work as Mrs Pickstone. Freeman maintained that that fact precluded Mrs Pickstone from claiming equal pay with Mr Phillips under section 1(2)(c), notwithstanding that she might be performing work of equal value and that the difference in pay might be the result of sex discrimination.

The argument was based on the words in paragraph (c) "not being work in relation to which paragraph (a) or (b) applies." Freemans said that the work on which Mrs Pickstone was employed was work to which paragraph (a) applied because it was "like work with a man in the same employment," namely the one male warehouse operative. So, it was said, Mrs Pickstone's work did not qualify under paragraph (c).

The question was whether the exclusionary words in paragraph (c) were intended to have effect whenever employers were able to point to some man who was employed by them on "like work," or whether they were intended to have effect only where the particular man with whom the woman sought comparison was employed on such work.

The latter was the correct answer. The opposite result would leave a large gap in the equal work provision, enabling *an employer to evade it* by employing one token man on the same work as a group of potential women claimants who were deliberately paid less than a group of men employed on work of equal value. That would mean that the UK had failed yet again fully to implement its obligations under the Treaty.

For those reasons and those given by Lord Templeman and Lord Oliver, the appeal should be dismissed.

LORD TEMPLEMAN said that the appeal was on a preliminary point of law decided on assumed facts. The assumptions were that Mrs Pickstone's work was of equal value to that of Mr Phillips, and that she was paid less on grounds of sex.

An industrial tribunal and the Employment Appeal Tribunal accepted Freemans' argument based on the fact that that one of the warehouse operatives was a man doing the same work as Mrs Pickstone. The Court of Appeal decided that under EC law Mrs Pickstone had an enforceable right, on the assumed facts, to equal pay with Mr Phillips for work of equal value

Article 119 of the EC Treaty directed that each member state should "ensure . . . the principle that men and women should receive equal pay for equal work." Article 1 of the Equal Pay Directive (75/117/EEC) provided that the principle of equal pay meant "for the same work or for work to which equal value is attributed, the elimination of all discrimination on grounds of sex . . ."

Section 1(2)(a) of the 1970 Act, as amended by the Sex Discrimination Act 1975, entitled a woman to receive equal pay for "like work," and corresponded to EC law which required equal pay "for the same work." Section 1(2)(b) entitled a woman to receive equal pay for "work rated as equivalent," and was thought by the UK to correspond to EC law which required equal pay for "work to which equal value is attributed."

According to Freemans, the 1983 Regulations deprived some women of the right to pursue their claims. They said that Mrs Pickstone might have a valid complaint that she was not receiving equal pay with Mr Phillips for work of equal value; but if she sought to remedy that discrimination under section 1(2)(c) she would be debarred because she was employed on "work in relation to which paragraph (a) *or* (b) above applies."

Those words in paragraph (c) were not intended to create a new form of permitted discrimination. When a woman claimed equal pay for work of equal value, she specified the man with whom she demanded parity. If paragraph (a) or (b) applied in relation to that man, then the woman could not proceed under (c).

After "applies" in paragraph (c), the words "as between the woman and the man with whom she claims equality" must be implied.

That construction was consistent with EC law. Freemans' construction was inconsistent with EC law and created a permitted form of discrimination without rhyme or reason.

Under EC law, a woman was entitled to equal pay for work of equal value to that of a man in the same employment. That right was not dependent on there being no man employed on the same work as the woman. Under British law a woman was entitled to equal pay for work rated as equivalent with that of a man in the same employment. That right was not dependent on there being no man employed on the same work as the woman.

It was clear from parliamentary debates leading to approval of the draft Regulations that that construction corresponded to the Government's intentions.

LORD OLIVER, agreeing, said that a construction permitting section 1(2)(c) to operate as a proper fulfilment of the UK's obligation under the Treaty, filled a gap by implication which arose from the manifest purpose of the Act and the mischief it was intended to remedy.

That could be justified by the obligation to apply a purposive construction which would implement the UK's obligations under the Treaty.

The Regulations had been passed with the manifest and express purpose of producing full compliance with the UK's obligation, and they fell to be construed accordingly. The words of section 1(2)(c), though unequivocal on their face, were reasonably capable of bearing a meaning which would not put the UK in breach of its Treaty obligations.

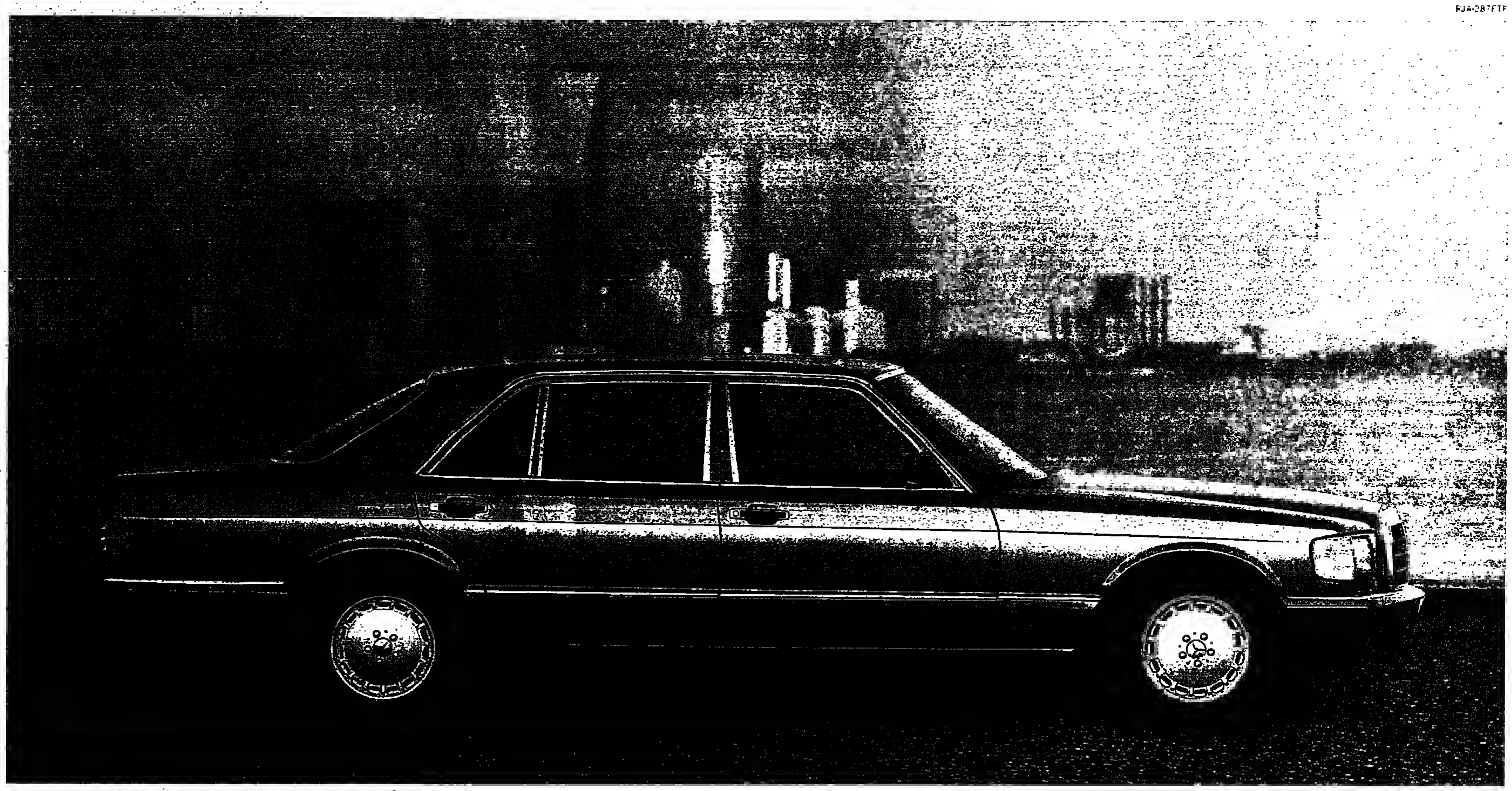
Lord Brandon and Lord Jauncey agreed with all three judgments. The appeal was dismissed.

For Freemans: Christopher Carr QC and Patrick Elias (Slaughter & May)

For Mrs Pickstone and others: Anthony Lester QC and David Pannick (Sharpe Pritchard & Co for W Douglas Clark, Brookes & Co, West Bromwich)

Rachel Davies

Barrister



The S-class range consists of the 300SE, 300SEL, 420SE, 420SEL, 500SE, 500SEL and 560SEL

The Mercedes-Benz S-class. Two opposing points of view.

On the one hand, it is the most luxurious and sumptuous Mercedes-Benz in which to be driven. Sitting in the back the first thing you notice is the amount of space. There is a sense of serene calmness created by the generous interior and plush fittings.

Reclining in Luxury

A masterpiece of ergonomic engineering, the S-class has seats sculptured to prevent fatigue and discomfort. The rear bench stretches nearly five feet from door to door and allows for a heady 36.6 inches of headroom.

In the SE models there is enough rear legroom for a six footer to feel at ease. Imagine then, the phenomenal amount of room there is in the long wheelbase SEL versions.

Once comfortably reclined in the generous seats with the automatic air temperature control in full flow you are immersed in a feeling of total relaxation.

Big on Creature Comforts

The list of optional luxuries, including electrically adjustable rear seats, electric rear window roller blind, individual reading lights and an electric tilt and slide sunroof, leaves no doubt about the level of opulence that can comfortably be achieved.

There's no more comforting thought, however, than knowing the enjoyment of owning an S-class will not be spoilt by crippling depreciation. The high re-sale price of every S-class is a testament to the legendary Mercedes-Benz reputation for durability. To think of a Mercedes-Benz S-class as anything but one of the most supremely comfortable cars ever built would be very difficult.

On the other hand, it is the most exhilarating and rewarding Mercedes-Benz to drive. Sitting behind the wheel the first thing you notice is the comprehensive driver information service. Its clear, logical layout is the same across the entire S-class range. It is under the bonnet, however, where the differences lie.

High Power, Low Noise

The S-class range extends to seven models, with power units from 3 litres to 5.6 litres, each capable of turning in autobahn speeds of over 130 mph. The peerless 560 SEL is a masterpiece of automotive engineering, its light alloy 5.6 litre V-8 engine smoothly powers it to 62 mph in a scant 6.9 seconds and takes it upwards to a prodigious 156 mph.* No car in its class can match its performance regardless of engine size or number of cylinders. The 300 DIN/hp power output so lightly taxes the engine that it makes a barely audible murmur, even under brisk acceleration.

Pioneering Safety

When its supreme combination of handling, ride and performance is added to its enviable list of safety features the S-class is unmatched by any car in the world.

Mercedes-Benz pioneered the rigid passenger safety cell and the scientific crash testing of cars. The S-class benefits from these as well as contemporary innovations such as ABS anti-lock braking, front seat belts with electronic tensioners that tighten on impact and pedals that swing away to reduce injury to the feet in a frontal collision. To think of a Mercedes-Benz S-class as anything but one of the most supremely satisfying drivers' cars ever built would be very difficult.

*Manufacturer's figures

Engineered Like No Other Car In The World.

Outstanding consumer credit rose £360m in May

BY RALPH ATKINS

OUTSTANDING consumer credit showed a marked increase in May, according to official figures published yesterday which highlight the strength of the British consumer sector.

The Department of Trade and Industry said the amount outstanding on consumer credit agreements rose by £360m, after seasonal adjustment, to a record £24.6bn. That followed a rise of £280m in April.

In the three months to May the amount of credit outstanding rose by £1.1bn, compared with £860m in the previous three months. This suggests the rate of growth may be accelerating.

The strength of credit illustrates the confidence of a consumer sector which seems to be insensitive to interest rate movements. Buoyant consumer demand, fuelled by borrowing, is thought by many independent economists to be sucking in imports and creating inflationary pressures in the economy.

The figures show new credit advanced to consumers, before taking account of repayments, at a record £3.6bn in May; in April, the figure was £3.3bn.

The DTI said the difference between the amount of extra credit advanced and the amount outstanding showed that the level of repayments was high. It reflected the increasing tendency for borrowers to pay credit card bills in the grace period before interest is charged.

Other figures published yesterday by the DTI also underlined the strength of high street sales. Revised figures show the volume index of retail sales rose by a seasonally adjusted 0.3 per cent in May to 136.8 (1980=100), slightly higher than shown by provisional figures.

Sales in the three months to May – probably the best indicator of underlying trends – were 1¼ per cent higher than the previous three months and 7 per cent higher than the same period a year before.

The figures exclude the amount outstanding on personal loans by banks and loans by insurance companies. At the end of March, this totalled £13.9bn.

Pace of private housebuilding slows

BY ANDREW TAYLOR

GOVERNMENT figures published yesterday show that the rapid pace of private housebuilding has slowed since the first three months of this year, when British housebuilders started work on the highest number of new homes since 1973.

Starts made on private homes between March and the end of May, however, were 12 per cent above those for the same period last year.

According to the Department of the Environment, starts made on private sector homes during the three months to the end of May, allowing for seasonal adjustments, fell by 10 per cent compared with the previous three months.

The growth in housing starts has been matched by house prices this year which have continued to rise in many areas.

The National Economic Development Office last month forecast that housebuilders would start work on around 200,000 private homes this year.

Public sector housebuilding, by comparison, has declined dramatically during the last 10 years. In 1978 work on more than 107,000 public homes was started, falling to just under 32,000 last year.

The latest figures show that public sector starts during the three months to the end of May were 29 per cent lower than in the previous three months and 29 per cent lower than in the corresponding three months last year. Work started on 21,400 private and public sector homes during May compared with 20,700 in the same month last year.

Home loan rates poised to rise

BY DAVID BARCHARD

HOME LOAN rates are poised to rise in the wake of yesterday's increase in bank base rates. The banks are likely to raise their mortgage rates within days, but building societies are likely to wait until around the middle of the month before deciding on their increase.

The Halifax, the largest UK building society, with assets of more than £31bn, said yesterday that rates would probably go up from 9.7 per cent to between 10.75 and 11.25 per cent for new borrowers from August 1. Those figures assumed, however, that there was no further base rate rise in the interim – a possibility which is of concern to all the societies and lies behind the delay in their decision until mid-month.

Abbey National, the second largest building society, commented that another half percentage point on base rate was "in the air," and said it wanted to fix a rate "that will have some life to it." Other societies are likely to await a decision by Halifax before moving their rates.

Meanwhile, mortgage companies, which have made steady inroads into the housing finance market in the last two years, could face growing problems in competing with the building societies.

Mr Antony Moir, company secretary at National Home Loans Corporation, the largest mortgage company, pointed out that the base rate rise had put a squeeze on the mortgage companies' margin between the funds in the wholesale money markets and the rates at which these funds were lent out.

NHL last Friday raised its rate by 1.15 percentage points to 10.9 per cent on endowment mortgages, which account for the majority of its business.

Building societies, largely independent of the wholesale money markets, now enjoy several advantages and their share of the mortgage market, estimated at 70 per cent, may rise.

The strong inflow of savings into their accounts, which has been running at more than £1bn a month for most of the past seven months, is expected to continue, with savers still mindful of last October's stock market crash.

"When mortgage rates are rising, people usually save any extra cash and very often in a building society account," said Mr Terry Carroll, finance director of National & Provincial Building Society.

● Environment Secretary Mr Nicholas Ridley is expected to announce plans to build more low cost homes in the countryside today. The move, designed to help groups such as farm workers who cannot afford steeply rising open market house prices, is likely to rouse controversy on environmental grounds.

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MPs panel recommends ITV tenders

By Raymond Snoddy

AN all-party Commons committee yesterday recommended that ITV franchises should be awarded by tender and that there should be a freer market in the shares of commercial broadcasters.

The Home Affairs Select Committee also concluded that a new Commercial Television Authority should be set up to be responsible for regulating the entire commercial television sector.

The committee's 44 recommendations include:

● a fifth television channel funded by advertising

● the creation of a separate midnight to 6am commercial franchise

● newspapers or magazines should be free to list all television and radio programmes regardless of copyright

● Britain's two remaining direct broadcasting by satellite channels to be awarded as soon as possible after 1992

● no fundamental change in the role of the BBC

● Channel 4 to stay substantially as it is at present

Mr Douglas Hurd, the Home Secretary, welcomed the report as "perhaps the most extensive inquiry into broadcasting ever conducted by a parliamentary select committee."

Home Affairs Committee: The Future of Broadcasting. Her Majesty's Stationery Office, £6.90.

Philip Stephens assesses the latest rise in lending rates

City less certain as Lawson tightens ratchet

IF MR NIGEL Lawson's aim was to take the political drama out of rises in borrowing costs he could certainly claim a success in yesterday's ½ point increase in base rates to 10 per cent.

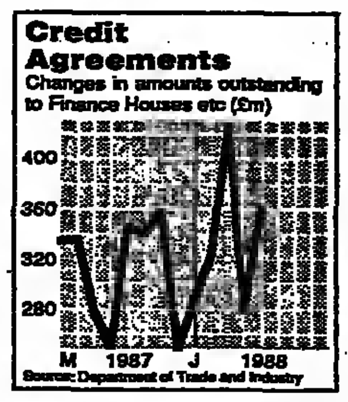
The fifth rise in as many weeks was greeted in financial markets with an air of tired inevitability. Even the pundits berated by the Chancellor of the Exchequer last week as teenage scribblers seemed reluctant to gloat.

Unfortunately, Mr Lawson needs to do more than deflect political adversaries and City of London critics; and there was far less certainty yesterday that the latest move would be enough to underpin confidence in the markets and to restore a more sustainable balance in the economy.

At the Treasury, officials offered a new gloss on the progressive ratcheting up of interest rates since their 10-year low of 7½ per cent at the beginning of June.

The latest tightening of "monetary conditions" came against the background of a general upward shift in international borrowing costs led by West Germany's Bundesbank.

Those increases, and the prospect that the dollar's surge will soon force a similar move in Japan, certainly played their part, mainly through their contribution to a further weakening in sterling's value over the past few days.



The inherent fickleness of the foreign exchange markets also has had a role. Economics theorists may seek to rationalise the markets' behaviour in terms of interest rate differentials and inflation expectations, but sterling's rise and fall over the last two months has provided a classic example of the more perverse influence of the herd instinct.

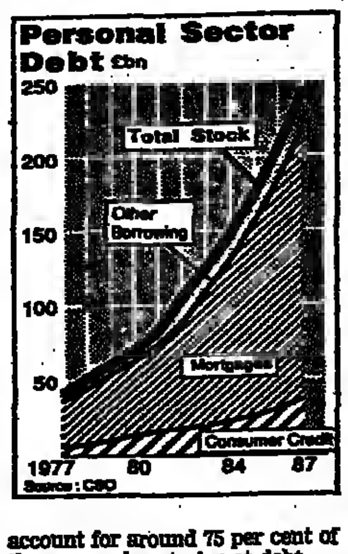
The underlying trigger for the latest rise, however, was much the same as for the previous four: the need to get a tighter grip on domestic demand in the economy and to prevent excessive consumer spending from feeding through first into a further deterioration in the trade position and then into higher inflation.

Despite the public disavowals, Mr Lawson's advisers are as worried as most outside observers about the pace of the recent widening in the current account deficit.

From one important perspective, the events of the last few weeks have been helpful. The present balance between the exchange rate and interest rates – higher borrowing costs and a lower pound – is clearly more appropriate for an economy with a booming domestic economy and worsening trade position than that prevailing two months ago.

The problem is by eschewing any tightening of fiscal policy, the Chancellor has left himself with interest rates as his sole means of cooling domestic credit demand and spending – and they may turn out to be an extremely blunt instrument.

The higher mortgage rates which will follow yesterday's move in base rates will take some spending power out of the economy. As the accompanying chart shows, outstanding mortgages account for around 75 per cent of the personal sector's net debt.



Official calculations, however, suggest that the short-run effect of increases in interest rates on lending is fractional against the trend rate of increase seen in recent years. The total stock of debt, for example, rose by around 15 per cent in 1987. The Treasury estimates that a one-point rise in interest rates could be expected in the short-term to reduce it by less than one quarter of one per cent.

The impact on industry, however, is thought to up be three times as great. That raises the risk that higher interest rates will have much more of a dampening effect on investment than on consumption at a time when industry's capacity to supply goods is already well below the level of demand.

It is also far from clear whether occasional increases in borrowing costs will do more than alleviate the symptoms of the recent combination of booming house prices, falling savings and buoyant credit demand.

The increased desire of consumers to borrow and spend rather than to save may, in part, reflect a behavioural adjustment to a period of sustained low inflation. The trend has probably been reinforced by the increases in personal wealth implied by soaring house prices.

And for the moment at least, the Treasury remains disinclined to be pushed into any new measures to rein back credit.

Despite recent speculation, the official view is that quantitative restrictions would run counter to the philosophy of leaving credit decisions to the price mechanism and anyway would be ineffective.

ELECTRICITY PRIVATISATION

Unlikely example of the Thatcher culture

The privatisation of the £40bn electricity industry during the next two to three years will result in a major shift of responsibility to the 12 area boards in England and Wales.

The boards, which are to be sold as separate distribution companies, will be given the duty to supply all customers in their areas, and the right to buy electricity from competing generating companies.

They will be able to make profits for their shareholders, although the prices they charge will be restricted by Government regulations.

They will also be given joint ownership of the national transmission grid, which carries bulk supplies of power across the country.

The boards' new freedom and responsibility has been won at the expense of the Central Electricity Generating Board, which owns the grid and all the power stations. Besides losing the grid, the CEGB will cede a third of its power plants to a new rival competitor and will hence lose much of its strategic dominance.

In the first of a series of three profiles by FT writers, RICHARD TOMKINS looks at the aggressive plans of the East Midlands Electricity Board.

THE HEADQUARTERS of the East Midlands Electricity Board is, frankly, not an inspiring sight.

Lying on the fringes of the regional capital, Nottingham, it is built in the best traditions of public utility architecture: a grim Lubianka that could happily double as a backdrop to scenes from the film of George Orwell's Nineteen Eighty-Four.

The image it conjures up of faceless bureaucracy might prompt a smirk of irony from the visitor glancing up at the coat of arms above the building's portals. "Feliciter servimus," reads the board's motto in slightly flaking paint, or "Happy to serve" – fine words, even if expressed in a dead tongue.

Yet within this forbidding exterior, a shock awaits the unwary. For inside, the corridors echo to cries of "enterprise culture" and "the customer is king."

As the 12 area electricity distributors in England and Wales limber up for privatisation in 1990, the jauntily renamed East Midlands Electricity is relishing the prospect with almost indecent zeal. Indeed, if this is not Prime Minister Mrs Margaret Thatcher's favourite board, it is hard to imagine where it can have failed her.

East Midlands Electricity serves a population of 4.5m in an area the boundaries of which coincide only occasionally with those of regional government. By a historical quirk, the area protrudes well into the industrial West Midlands and extends eastwards across the fields of Lincolnshire to the seaside town of Skegness.

About half the electricity sold by the board goes to domestic consumers and the rest to industry, agriculture and commerce.

The area is economically buoyant – particularly where it abuts the south-east – and healthily diverse, save that the coalfields account for 7 per cent of total electricity sales.

Although not the biggest of the area boards, East Midlands Electricity has carved out a reputation for itself as a pioneer, particularly in customer services. Mr John Harris, the 49-year-old chairman, believes that makes it pre-eminently well suited to the private sector.

"If you look after your customers then you automatically look after your shareholders," he says. "We have developed an approach whereby we give first-class service to our customers at minimum cost, and that is the natural strategy for an organisation about to become a plc."

The cynics might respond that no public utility on the verge of privatisation is likely to claim anything else but that it is innovative and efficient?

East Midlands Electricity, however, is in a position to back its claims: for it was this board that in 1985 invented guarantees of service for electricity consumers, so providing the model that the Government's policy White Paper on privatisation promises to impose on all the area boards in 1990.

Under the scheme East Midlands Electricity as set itself performance targets for customer services and gives rebates or vouchers when it fails to match up to them. For example, if it fails to call on a customer in response to a request for appliance repairs within three working days, it waives its labour charge.

East Midlands Electricity	
1986/87	
Customers	2m
Employees	7,500
Turnover	£1.041bn
Appliance sales	£53.9m
Profit before interest and taxation	£37.6m
Capital expenditure	£48.6m
Net return on average net assets	4.8% (CCA basis)
Historic cost return	19.8%

The total pay-outs under the scheme illustrate its success in keeping management and employees on their toes. In the 32 months since the appliance service guarantee was introduced, there have been only 59 failures out of 163,465 jobs done, costing the board less than £900 in waived charges.

The scheme, originally criticised on the ground that it applied only to activities where the board was in competition with high street retailers, is now being extended to include monopoly services such as meter reading. By the end of 1989, it is expected to cover nearly all the services that involve prearranged visits.

The board is keen to be judged on other performance indicators. It has reduced the added operating cost per unit sold from 0.846p in 1982-83 to 0.764p in 1986-87, a cut of 9.7 per cent. Remarkably, it has nearly a third of all users of Economy 7 – a cheap rate for off-peak electricity – in England and Wales in its area. Perhaps most significantly, a recent poll found nearly four fifths of its customers held favourable views of the board.

The board is now well advanced with perhaps its most ambitious plans yet: to exploit the freedom privatisation will give it to provide a fifth of its power needs independently.

The idea is not so much to build its own power stations as to stimulate competition among suppliers by encouraging the development of cheap local plant that can undercut the main generating industry.

East Midlands Electricity says it has identified up to 20 possible opportunities for local generation. Some – such as the Leicester Energy project – are combined heat and power schemes.

Perhaps the biggest challenge ahead for East Midlands Electricity will be the test of its management as it braces itself for the full force of private sector competition.

Yet however untested the board's commercial flair, East Midlands Electricity does not want for imagination. One of the most ambitious schemes being floated is the idea of territorial expansion.

"We have seen nothing to say that you will not be able to sell electricity outside your own area after privatisation," says Mr Philip Champ, the 46-year-old director of corporate services.

"We believe that if our electricity is cheaper than other areas', there will be opportunities to expand our sales by offering electricity to customers over our borders."

Ulster policemen face inquiry over fatal shootings

BY OUR BELFAST CORRESPONDENT

TWENTY OFFICERS in the Northern Ireland police force are to face disciplinary proceedings arising from the Stalker-Sampson inquiry into three controversial shootings in County Armagh, in which six men died.

A chief constable from mainland Britain will be appointed to preside over the disciplinary hearing and an announcement will be made in due course.

The move follows consideration by Sir John Hermon, chief constable of the Royal Ulster Constabulary, of a report by Mr Charles Kelly, chief constable of Staffordshire. Sir John has accepted the report's recommendations. Twenty of his officers, from the rank of constable up to chief superintendent, have been notified that they are to face proceedings.

Mr Kelly was appointed by Mr Tom King, the Northern Ireland Secretary, to examine possible disciplinary action against individual officers after Sir Patrick Mayhew, the Attorney General, announced in the House of Commons in January that no officer would face criminal proceedings arising from the Stalker-Sampson inquiry into an alleged RUC shoot-to-kill policy in sonth Armagh.

Six people, five of them prominent Republicans (that is, supporters of the detachment of Northern Ireland from the rest of the United Kingdom), were shot dead by police in the area towards the end of 1982.

Rolls seeks £100m in aid

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE has applied to the Government for about £100m in launch aid towards the estimated £300m development cost of the new version of its RB-211-524 engine, the model L.

The balance of the development cash will be met by the company, which spent £187m on research and development in 1987.

The model L will be the most powerful of the RB-211-524 engines with 65,000 lbs thrust but will be capable of rising to well over 70,000 lbs.

Rolls-Royce has been obliged to develop the model L to meet competition from General Electric's CF6-80C2 engine and Pratt & Whitney with its PW-4000 series.

Airlines with which Rolls-Royce is discussing the L engine include British Airways and Cathay Pacific.

Freezure order maintained on assets of Clowes' associates

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

DR PETER NAYLOR and Mr Guy Von Cramer, two former associates of Mr Peter Clowes, head of the collapsed Barlow Clowes investment companies, agreed in the High Court in London yesterday to continuation of temporary orders freezing their worldwide assets.

The order against Dr Naylor restrained him and his wife Victoria from dealing with up to £1.75m of their assets, including, in the case of Dr Naylor, money in the Lothbury branch of the National Westminster Bank and shares in James Ferguson (Holdings).

That order, originally made on June 23, will remain in force until full trial of an action brought by Barlow Clowes International, a Gibraltar-based investment company, and receivers of assets of portfolios promoted by the company.

The order made against Mr Von Cramer at a separate hearing later in the day continued until Friday one made on June 24 which restrained him from dealing with np to £14,098,000 of assets owned either solely by him or jointly with two companies, Bracken Nominees and Brodian, without the prior consent of Clifford Chance, the solicitors for Barlow Clowes International and the receivers, Mr Nigel Hamilton, of Ernst & Whinney, and Mr Michael Jordan, of Cork Gully.

The expectation is that on Friday the case will be adjourned for at least another four weeks.

Mr Von Cramer was in court to hear his counsel, Mr Michael Beloff tell Mr Justice Millett that it was Mr Von Cramer's case "that neither he nor any of his companies have been involved in any unlawful or improper association or dealings with Mr Clowes or any of his companies.

"He has at all material times co-operated, and will continue to co-operate, with the receivers and their solicitors," Mr Beloff said.

Dr and Mrs Naylor jointly and Mr Von Cramer are permitted to draw up to £500 a week living expenses and £5,000 for legal fees. Tudor Barn Farm, a company sued with Dr and Mrs Naylor, is allowed to spend np to £500 a week "in the ordinary course of farming business."

The orders also require the Naylors and the companies sued with them to swear by Friday affidavits disclosing the whereabouts of their assets.

They can apply to have the orders varied or discharged on giving 48 hours notice to Clifford Chance.

The case against the Naylors was disposed of by consent by Mr Justice Millett in two minutes. That involving Mr Von Cramer was delayed by out-of-court discussions between Mr Von Cramer and his lawyers and the lawyers for BCI and the receivers.

In the case involving Mr Von Cramer Miss Elizabeth Gloster, for BCI and the receivers, said that in its literature BCI had falsely suggested to investors that their money would be invested in gilts.

Records showed that about £138m, including interest, was owing to investors. Only about £1.7m in gilts had been located.

Miss Gloster said that, according to Mr Clowes, about £85m of investments had been loaned to various companies, including £62m to companies connected with Mr Clowes himself and about £14m to Mr Von Cramer or companies associated with him.

"The significant factor," Miss Gloster said, "appears to be that there was no documentation supporting those loans."

It had been agreed that the companies should have until midday today and Mr Von Cramer until midday on Thursday to comply with an order to swear evidence of the nature and location of their assets.

THE COURT-appointed administrators of James Ferguson Holdings, parent of the collapsed Barlow Clowes investment group, expect this week to make their first sale of part of the business, with a second planned for early next week.

The sales, which come two weeks after the administrators from Peat Marwick McLintock were appointed, mark the first step on Ferguson's road to paying off a £10.6m bank loan. The loan was secured hy a £10.6m deposit used as collateral, later discovered to have come from money belonging to Barlow Clowes investors.

The sales are also expected to release about £1m of investors' money which had been lent indirectly to three companies in the Ferguson group. The loan is recorded in the companies' books as having been made by Mr Peter Clowes, said Mr Gary Blackburn, one of the Peat Marwick administrators.

Health service wonders if life begins at 40

ALAN PIKE reports on a landmark in the provision of state health care in Britain

AFTER NINE months of political fever during which it has sometimes seemed in a more critical condition than most of its patients, Britain's National Health Service has today arrived alive at its 40th birthday.

The current atmosphere of financial crisis may seem an ungrateful birthday present for British society to bequeth to what remains, for many people, the most significant achievement of the post-war welfare state. But nothing could be more fitting. Inaugurated on July 5 1948, amid bombed-out hospitals and a bombed-out economy, the NHS immediately began bursting its budgets.

Attlee's 1945-50 Labour Government not only had the distinction of inaugurating the most comprehensive state health service in the Western world. It also became the first to be faced with the problem of deciding how to control costs within the service.

In the 40 years since July 1948 government after government has asked the type of questions – and considered many of the possible solutions – which are contained in the latest review of health care being chaired by the Prime Minister.

Mr John Moore, the present Secretary of State for the Social Services who in the next few months will have a pivotal role in shaping the NHS's future, yesterday celebrated the annivesary with a reception in London for health service employees from throughout the country. He praised the work of NHS staff but carefully avoided giving them any predictions about what is to come.

The 40th anniversary celebrations are, however, coinciding with a crucial stage in the Government's NHS review. Ministers, who have been flooded by submissions campaigning for and against radical change in the structure and funding of health care in Britain, will in the next few weeks try to reach firm decisions on lines of action.

Providing individuals with some form of incentive in return for opting out of all or part of NHS services is among the more radical possibilities which remain under active consideration at this decisive stage of the review.

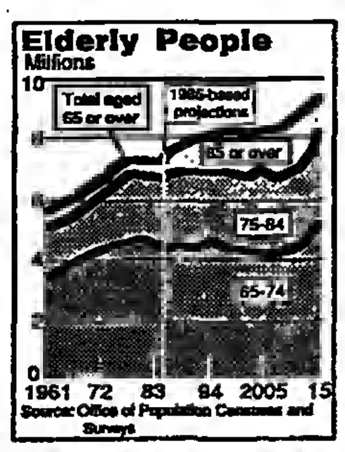
Straightforward tax incentives for everyone taking out private health insurance face the objection that they would constitute a state-financed free gift to the 10 per cent of the population already holding private cover. Nothing as wide-ranging as this is likely to appear in the final proposals. But restricting an experiment in incentives to retired people – whose health care demands are heavy but where take-up of private insurance is low – would overcome most of the objections to open-ended incentives.

The review can be guaranteed to propose changes. In the way health care is provided and managed. Mechanisms for trying to separate the financing and delivery of health care and introduce internal markets to encourage health authorities to trade with each other and the private sector have been favourite candidates for action throughout the review.

Aneurin Bevan, Minister of Health in Attlee's government who inaugurated the NHS 40 years ago today, explained its introduction in terms of the highest Socialist ideals – "A free health service is a triumphant example of the superiority of collective action and public initiative applied to a segment of society where commercial principles are seen at their worst."

Mr Moore would be a less than human politician if he did not try to apply an equally radical hue to his attempts to reshape the service.

The central features of the NHS will, however, survive the review. One of these – one which it has been easy to overlook during the recent funding crisis, when almost all attention has been focused on the hospital sector – is the general practitioner system.



Source: Office of Population Censuses and Surveys

Family doctors act as the gateway to more expensive medical services and 90 per cent of NHS consultations are handled by them without the need for hospital referral. As well providing an efficient cost-control mechanism, which many other systems lack, the GP service permits the maintenance of comprehensive medical records on all patients. Britain's primary health care system is highly regarded internationally.

Another of the undoubted achievements of the NHS has been to spread around the country – although not yet to a perfect degree – the nation's scarce resources of medical equipment and expertise. Before 1948 many areas frequently had to rely on occasional, peripatetic visits from consultants based largely at the London teaching hospitals.

On a more negative note the NHS – certainly the hospital service – has probably been too slow at recognising the impact on its image of increased consumerism in today's society.

The number of people likely to address doctors as 'Sir' and wait uncomplainingly for several hours to see a consultant is lower today than it would have been in 1948. Present-day patients who have been encouraged to regard themselves as customers with rights expect the same style of service at hospitals as they receive in shops, restaurants and hotels.

The costs of health care are increasing throughout the world as technological advance makes new treatments possible.

Demands on health provision will rise dramatically in Britain between now and the early years of the next century because of a huge increase in the number of old people. The proportion of elderly people in the population will have doubled between the foundation of the NHS and the turn of the century

To the Holders of

J. Bildner & Sons, Inc.

7% Convertible Subordinated Debentures Due 2002

NOTICE OF DEFAULT

NOTICE OF DEBENTUREHOLDERS MEETING

10:00 a.m. August 10, 1988

Manufacturers Hanover Trust Company

600 Fifth Avenue

Ninth Floor Conference Room

New York, New York 10020

On June 21, 1988, Manufacturers Hanover Trust Company, as Trustee under the Indenture dated as of May 19, 1987 (the "Indenture"), of J. Bildner & Sons, Inc. (the "Company"), pursuant to which the 7% Convertible Subordinated Debentures Due 2002 (the "Debentures") were issued, notified the Company that it had failed to deliver to the Trustee within the time periods specified in the Indenture (i) an Officers' Certificate as to the occurrence of any Default during the Company's fiscal year ended January 31, 1988 and (ii) definitive Debentures for authentication and delivery by the Trustee in exchange for the Temporary Global Debenture issued and outstanding under the Indenture. Failure to deliver the Officers' Certificate and the definitive Debentures constitute Defaults under the Indenture. Under the terms of the Indenture, if the Defaults are not cured within 60 days after receipt by the Company of the foregoing notices, Events of Default will occur.

If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% of the then outstanding principal amount of the Debentures may declare the principal of and accrued interest on all the Debentures to be due and payable. Such a declaration by the Trustee or the holders of at least 25% of the then outstanding principal amount of the Debentures might, in our opinion, result in the Company or one or more of its creditors seeking relief under one of the provisions of the Bankruptcy Reform Act of 1978. We shall be conferring with the Company to determine what course of action will most effectively protect the interests of the holders of the Debentures (the "Debentureholders"). Of paramount concern to us, as Trustee, is determining whether a declaration, after the expiration of the 60-Day grace period, that the principal of and the accrued interest on all of the Debentures is due and payable, with its attendant serious consequences, would be in the best interests of the Debentureholders.

We have scheduled a meeting of the Debentureholders for 10:00 a.m. New York City Time on Wednesday, August 10, 1988 in the Conference Room on the 9th floor of our 600 Fifth Avenue offices in New York City so that the Debentureholders will have an opportunity to discuss this situation with each other and to present their views to the Trustee. The Company has agreed to have a representative present at the meeting to discuss this situation with the Debentureholders and to answer their questions.

On May 19, 1988, the Company did not make a payment of interest on the Debentures. As noted above, at present the Debentures are still held in the form of a Temporary Global Debenture. Under the terms of the Indenture and the Temporary Global Debenture, however, interest is only due and payable on interest payment dates occurring after the issuance of the definitive Debentures in exchange for the Temporary Global Debenture, and in the case of definitive Debentures in bearer form, only upon presentation and surrender of interest coupons.

Copies of the Indenture may be examined on the 10th Floor of our 600 Fifth Avenue offices in New York City during normal business hours by Debentureholders and their authorized designees. In this regard we call your attention to the rights which the holders of a majority of the then outstanding principal amount of the Debentures have pursuant to Section 6.05 of the Indenture:

> The holders of a majority of the then outstanding principal amount of the Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability.

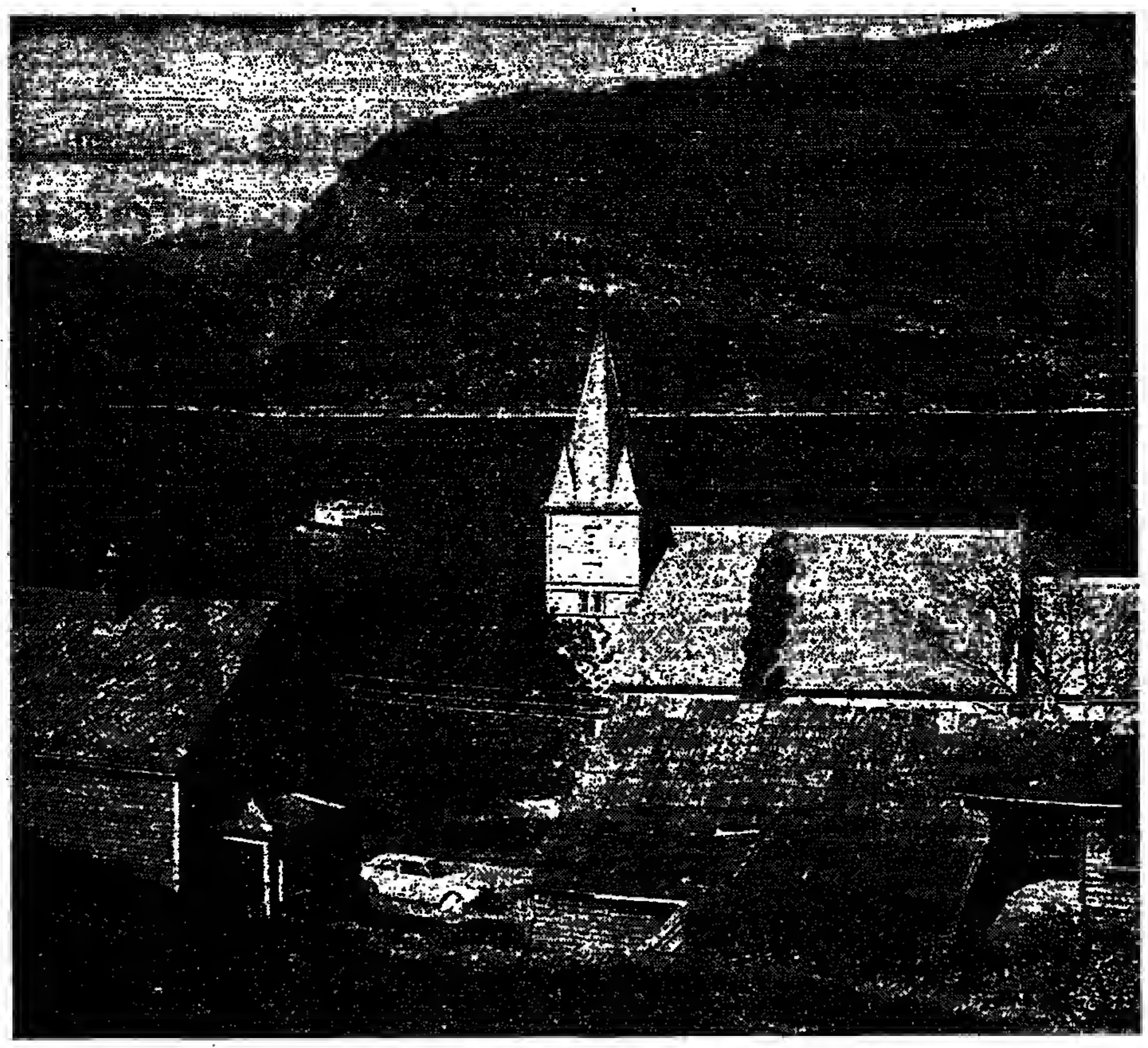
Holders of Securities or their authorized representatives who plan to attend the meeting or who wish to be on the mailing list are requested to contact us at the address or telephone number provided below so that we may send you the appropriate questionnaire.

Manufacturers Hanover Trust Company,
as Trustee under the Indenture
dated as of May 19, 1987
of J. Bildner & Sons, Inc.
600 Fifth Avenue
New York, N.Y. 10020
Telephone No. (212) 957-1512

Dated: July 5, 1988

FINANCIAL TIMES SURVEY

Norway is recovering only slowly from the economic crisis which hit the country in 1986 as a result of the collapse of oil prices. But, reports **Robert Taylor**, painful readjustment is stimulating a reappraisal of social and political objectives, including its future relationship with the EC.



NORWAY

CONTENTS

Picture(left): village of Utne on Utnefjord, an arm of Hardangerfjord

In search of a strategy

NORWAY THIS summer resembles Ibsen's Peer Gynt – "Forward or back it's equally far. Outside or in, I'm still confined". The country is in an uneasy and frustrated mood, anxious about the *future and doubtful of what to do* next.

"We suffer from a real lack of intellectual curiosity", laments Mr Terje Osmundsen, the main author of an influential study published a few months ago that sketched three possible scenarios for Norway's destiny over the rest of the century. (Scenarier 2000)

"Many people here are really quite comfortable staying as a small corner of Europe believing others are envious of them". He talks eloquently about Norway's provincialism, its hankering for cosiness and suspicions of an unfamiliar outside world. "We are fragile and vulnerable", he declares. "Norway lacks strong historical traditions".

What worries Mr Osmundsen, a former chief adviser to Norway's last centre-right government and now working for Saga Petroleum, is that his country will fail to come to terms with the European Community during the 1990's and remain outside the mainstream of European history.

He believes there is an "hesitant ambiguity" about Norway's attitude to what is happening in the Community and he fears that it will be excluded from many of the "networks of influence" that *are already breaking down* the barriers between European nation states.

It is certainly true that Norway's national debate about its future relations with the EC has hardly yet made much impact. No doubt, many politicians still remain scarred by the memories of the 1972 referendum when by 54 per cent to 46 per cent Norwegians opposed EC entry. The most recent opinion polls suggest feelings for and against EC membership are running about equal and there is no wide groundswell of opinion flowing in either direction. It is not surprising that the new rising right-wing political force in Norway – the Progress party – is at best agnostic about the EC.

Indeed, as Norway's beleaguered Prime Minister Mrs Gro Harlem Brundtland readily admits, almost all the political parties "are divided" within themselves on the European question. Just before the summer recess Parliament debated a government White Paper on the subject of relations with the EC, which took a studiously balanced view. But, as Mrs Brundtland argues, Norway intends to "co-operate actively with the EC to the extent to which this is at all practicable".

Norway already participates freely in a number of EC-inspired research programmes like Eureka and it recently became a full member of the European Space Agency. As a founder member state of the North Atlantic Treaty Organisation, Norway has no difficulties in welcoming the drive towards greater political integration on a common foreign and defence policy inside the EC, unlike Sweden or Austria.

Within careful limits the Government is ready to take some initiatives on EC matters. Next March Mrs Brundtland intends to convene a summit conference of heads of government of the European Free Trade Association (EFTA), during her six month presidency of that body, with the intention of hammering out a more coherent, common strategy for EFTA in future dealings with the EC. For its part, Norway will seek, through its own domestic changes, to bring its own laws and regulations into line with the EC'S move towards a free internal market by 1992.

Economically, Norway is more firmly than ever interlinked with the EC. Over 70 per cent of the country's exports now go to EC countries and that proportion can be expected to rise still further. It is Norway's declared intention to contribute to the EC's needs with reliable and substantial supplies of oil and gas from the North Sea. Individual big companies like Norsk Hydro have already been pursuing a determined policy to extend their power through mergers and amalgamstions throughout the EC.

But the critics of what they see as the *"smorgasbord"* approach to the EC believe that Norway's opinion makers will have to adopt a much more open and idealistic strategy if they are going to carry the people with them into a new relationship with western Europe.

Yet the present economic and political climate is hardly conducive to such an approach. Norway is recovering only slowly and painfully from the crisis that hit the country in the spring of 1986 with the dramatic collapse in oil prices, the devaluation of the kroner and the onset of a much tighter fiscal policy to reduce the country's soaring balance of payments deficit.

Living standards for most Norwegians have fallen over the past two years through a squeeze on private consumer demand and this relative austerity looks like continuing for some time yet.

Earlier this year, a legally-enforceable incomes policy was introduced to curb the dangers of wage-push inflation and, although both the main union organisations and employers agreed with it, many workers remain unenthusiastic about restrictions by law on their freedom to bargain collectively. It is true that the Kroner remains strong on the foreign exchange markets, the deficit is falling along with the rate of inflation and there are obvious signs of an improvement in the export performance of Norway's traditional on-shore industries over recent months. But there is still a long way to go before the economy is back in balance.

Mrs Brundtland knows this and so do tha country's other mainstream politicians and economic policy-makers, but Norwegian pnblic opinion remains much less certain. From the middle of the 1970s Norwegians were led to believe that they could enrich themselves on the bountiful revenues of North Sea oil and gas without any obvious dangers to the economy. The boom in lavish welfare state benefits, subsidies to farmers and sunset industrial concerns, as well as the huge upsurge in consumer spending, all gave the impression that Norway could overheat with impunity.

The seemingly everlasting midsummer feast came to a halt in 1986. But it was a shock for many unsuspecting Norwegians, who ran into debt in their desperate efforts to maintain their already comfortable life styles. Norwsy's *economy and political system* have been struggling with tha aftermath of that excess ever since and it has not been easy.

But at least it has provided an opportunity for the country to reappraise its values and question what its future ought to be like. The publication of Scenarier 2000, an independent research project, last November has stimulated a national debate in Norway and although it has failed to produce any tangible conclusions up until now it continues to remain the focus for discussion.

The report suggested three possible scenarios for Norway by the year 2000. Firstly, there was the "care" scenario, which was otherwise known as "women in oil". This would lead to a much more dominant role for women in Norway, who will insist that the country spends much more than it already does on the caring services for children, the old and the sick. The scenario supposes that a steady growth in oil production and a return to increasing oil revenues will provide the necessary wealth for public service expenditure growth. The state's share of Gross National Product would jump from its present figure of 50 per cent to 60 per cent and Norway would remain a predominantly raw material producing country. Unemployment would stay low and economic growth remain just less than the west European average. However, Norway would not join the EC, although many firms would have moved lock, stock and barrel into the Community.

Secondly, the report suggested a "decay" or "crumbling consensus" scenario. This means that Norway's political and economic institutions fail to meet the challenge of a much tougher international climate during the 1990s. Instead, the country's industrial/financial complex insists on a huge rise in oil production, which triggers of wage and price inflation, pushes up the exchange rate and threatens Norway's traditional exports. The boom is followed by a slump in oil prices that leads to massive unemployment by Norwegian standards (over 10 per cent) and a derisory annual growth rate of 1.4 per cent. Norway polarises socially and is forced to enter the EC in a panic. Understandably, nobody believes such a scenario likely but as the report's main author Terje Osmundsen points ont: "This story is based on the thesis that the traditional consensus and cohesiveness of Norwegian society are already in great difficulties. These weaknesses have partly been hidden by the petroleum bonanza of the last decade, but will increasingly appear on

Continued on page 4

Key facts

Population 4,175,171 (end of 1986)
Area 324,000 sq kilometres
GNP per head $4,607
GDP NKr516bn
Trade(1987): Exports NKr199.7bn
Imports NKr211.8bn
Current account balance NKr-27.5bn
Structure of merchandise exports
Oil and gas NKr53.6bn
Manufactured goods NKr144.9bn
Structure of merchandise imports
Raw materials and manufactures NKr143.7bn
Services NKr68.1bn
Debt service as percentage of GNP: 5 per cent
Average annual growth rate: 0.2 per cent
Average annual rate of inflation: 5.5 per cent

Robert Taylor examines prospects for the economy

Some way to travel

THERE IS general agreement among observers both inside and outside the country that the Norwegian economy still has some way to travel before it reaches a stabilised condition.

But the course it embarked upon two years ago, at a time of real crisis, appears to be making some progress towards that objective, even though the influential governor of Norges Bank, Mr Hermod Skaanland, has warned on more than one occasion this year that the country "has not made great strides towards balance" even if most ordinary Norwegians have been feeling the pinch through real cuts in their living standards and a growth in their personal debts.

For her part, Mrs Brundtland insists that the economic outlook is more promising and she points to a near halving of the balance of payments deficit, a fall in inflation and a cut in interest rates since approval of the revised budget in May.

Remarkably, the events of the past two years have not provoked a growth in unemployment. On average, only 2 per cent of Norway's workers have been jobless so far this year, though that figure is expected to rise, but not by much, during 1989.

Yet it has been very difficult for the minority Labour government to exercise a firm control over the economy, and the restrictive measures which have already been taken to deal with Norway's crisis remain deeply unpopular with the electorate.

The Prime Minister seems determined enough, however, to stick by her present economic strategy. "We need to keep a tight fiscal policy for several more years to reduce inflation and deal with our foreign trade imbalance", she told the Financial Times in a special interview. Even now the current external deficit amounts to nearly 5 per cent of Norway's GDP, one of the worst figures of any country in the Organisation of Economic Co-operation and Development(OECD).

Her government has not had very much success so far in curbing public sector spending. It grew last year by as much as 5.4 per cent at a time when private consumption dropped by 2.2 per cent.

In its latest economic review the Christiania Bank highlighted the persistent onward march of local government spending, which it suggests has added to inflationary pressures in the economy and prevented the rechannelling of resources into the export-competing sector. The government hopes to bring greater financial self-discipline into council spending this year but it may prove very difficult to hold the line.

Moreover, the country's massive subsidies to agriculture and industry remain to be cut back. Production subsidies as a percentage of gross value added in agriculture amounted to more than 40 per cent in the early 1980s and they have not fallen back by much since that period. Norway devoted 6 per cent of its central government spending to the agricultural sector in 1986.

The weaker industries like textiles, shipbuilding, mining and metal processing also benefitted from state subsidies. But the Government does appear to be in the mood now to reorganise those sectors by accepting the need for contraction; though it is understandably anxious that this could lead to social hardship in the remoter areas of the far north, where vulnerable plants are situated.

The lack of industrial competitiveness also worries economic observers. The decision to cut the basic working week for all Norwegians on 1 January 1987 from 40 to 37.5 hours, without any corresponding decline in real earnings, has proved to be expensive, particularly given the continuing full employment. Between 1985 and this year unit labour costs in manufacturing went up by a huge 28.25 per cent.

However, the introduction of a 5 per cent incomes ceiling policy by the Government this spring should go some way towards calming wage push pressures, particularly if the rate of inflation continues to fall. But some observers believe there is a real danger that the government will not acheive its aim of bringing the rate of inflation down below by 5 per cent by the end of the year and that this will re-open existing wage agreements and, in all likelihood, trigger a further wave of pay increases into 1989.

The banks are particularly concerned at the high level of household net debt resulting from the spend-spend years of the middle 1980's. Back in 1986 as much as NKr55bn of the country's net debt increase of NKr60bn was due to borrowing by private consumers.

But the magnitude of Norway's problem – to become less dependent on oil revenues for its economic well-being – is often not appreciated by outsiders. As Mr Tor Steig of the Federation of Norwegian Industry points out, three years ago the tax benefits derived from oil and gas amounted to NKr48.7bn and this year the figure will be only NKr10.9bn.

However, not all is gloom in the Norwegian economy. "We have seen a strong improvement in our exports from traditional industries", says Mr Jan Vea from the Export Council. In the first four months of this year, there has been an 18 per cent growth in fish exports, and engineering and chemical exports have also registered massive increases.

The Federation of Norwegian Industries believes there will be a 6.2 per cent rise in the volume of the country's exports next year. Control of wage cost pressures and a growth in industrial investment should help in achieving this.

At the same time, the squeeze on private consumer demand has helped to keep down the level of imports. Last year they fell by 6.7 per cent in volume compared with 1986 and they are expected to decline still further, if by a lesser amount, both this year and next. The combination of rising exports and falling imports will go some way to cut Norway's external deficit, though it is still officially expected to be NKr24.1bn this year.

Nonetheless, the government's revised budget was well received by the money markets, even if it did not introduce any further measures to curb demand. The Central Bank cut its interest rate by 0.5 per cent to 13.2 per cent after the budget and an already strong Krone on foreign exchange markets, did not waver.

In Mrs Brundtland's opinion, Norway's economic troubles have stemmed both from a fall in world oil prices two years ago and a lack of competitiveness in the country's old industries. Now she believes that Norway is "half-way" to recovering from its troubles. But the question remains whether there is the patience to see through the necessary long haul, particularly in general election year.

Robert Taylor

Profile: Mrs Gro Harlem Brundtland

A Prime Minister under siege

MRS GRO Harlem Brundtland is a Prime Minister under siege. Abroad, she has acquired a reputation on the international stage. A possible future contender for the post of United Nations secretary-general, she recently headed the UN World Commission on Environment and Development. This coming weekend she plays host to Oslo to a gathering of major UN agencies to discuss her Commission's report. Many observers believe she has inherited the mantle of the late Olof Palme as Scandinavia's civilised voice in world affairs.

But, at home, the 49-year old Mrs Brundtland faces deep political trouble. Last month the poll organisation MMI found that only 28 per cent of their sample believed that she is doing a "good" job, compared with as many as 52 per cent who thought her performance was "mediocre" and 16 per cent who believed it was "bad". Those alarming results reflect the present malaise among the Norwegian voters and it may prove difficult for the Prime Minister to mount an effective recovery before the next general election which is due in September 1989.

Her ruling Labour party is stagnating in the opinion polls. Last month it secured only 33.5 per cent support, compared with 40.8 per cent at the 1985 general election. Indeed, for most of this year Labour has hovered just above the 30 per cent mark, the lowest ratings the party has experienced in the post-war period.

Yet Mrs Brundtland hardly looks down and out. She handled her annual press conference before the parliamentary summer recess in a relaxed and almost care-free spirit. In an interview with the Financial Times, the Prime Minister expressed her clear-sighted determination to fight on in restoring the country's damaged economy, however unpopular her government's policies might appear to be at the moment.

She has been leader of the Labour party since 1981 and she is serving in her second period as Prime Minister. Mrs Brundtland entered national politics relatively late in life, though her father was a Labour cabinet minister. With a degree in medicine from Oslo University and a masters degree from Harvard, she became a health administrator, ending up as an associate director of health services in Oslo.

In 1974 she was put in charge of the Environment department by the Labour government of Mr Trygve Bratteli, a post she held for five years. She only entered Parliament in 1977 as an MP for Oslo and two years later took over as deputy leader of Labour's parliamentary group.

A mother with four grown-up children, Mrs Brundtland lives in Bygdoy, one of Oslo's fashionable suburbs with her husband Arne, who is an active Conservative party politician and a foreign policy strategist. She has acquired a formidable reputation for her brisk, no nonsense style of government, though there are those in her party who dislike what they regard as her autocratic style of leadership. A passionate believer in womens equality, Mrs Brundtland practices what she preaches. Just over half her Cabinet are women.

She expressed her clear determination to fight on in restoring the damaged economy

She seems to thrive on adversity and is in no mood to change course or admit the probability of defeat next year at the polls. Indeed, Mrs Brundtland remains convinced that the electoral pendulum can still swing back to Labour. Despite her precarious position, the Prime Minister has not shirked from taking tough decisions to deal with Norway's economic crisis.

"We have done much of the job", she said. "But we still have some way to go. Gradually our economic measures are working and people are beginning to feel their positive results, with price increases falling and interest rates coming down". However, Mrs Brundtland talks of "several more years of tight economic policy to avoid inflation and foreign trade imbalances".

She faced an unenviable economic inheritance when she was asked to form a minority government after the May 1986 crisis and the resignation of Mr Kare Willoch's centre-right coalition Government. Under Norway's constitution, general elections can only be held at four-year intervals and no government has the power to dissolve Parliament to between. This has made it particularly difficult for Mrs Brundtland and her cabinet colleagues because they lack an overall parliamentary majority.

Only last month the Government was defeated by 81 votes to 76 in Parliament over the siting of Oslo's new airport. As many as 14 Labour backbenchers defied the Government line in what amounted to a party humiliation. In its aftermath Mrs Brundtland sought to restore her authority and carried out a Cabinet reshuffle.

The dangers of political paralysis in Norway are beginning to worry the Prime Minister. She is particularly alarmed by the dramatic rise in popularity of the Progress party, which she regards as extreme right-wing populism. "It is a protest against common responsibility", she declares. Mrs Brundtland compares what is happening to the anti-tax movement in Denmark and the appeal of the National Front in France.

Mrs Gro Harlem Brundtland

In her opinion,the real difficulty lies in what she sees as the growing fragmentation of Norwegian politics with no party enjoying a decisive authority in Parliament. In the endless search for coalitions and majorities , governments are going to find it hard to carry through policies they believe are necessary if these are seen to be unpopular with the voters.

Mrs Brundtland believes that the "scattering of votes" between a growing number of parties will lead to a "reduction in the potential for concerned and long-term stable leadership" in Norway.

She hopes that next year the outlook will improve for the Labour party. Certainly the Prime Minister intends to do all she can to confront the present political dangers that appear to threaten the country's social consensus built up after the Second World War.

However, the Labour party is experiencing severe difficulties with the voters at the moment. Many trade unionists dislike the Government's statutory incomes policy because it threatens collective bargaining and damages their living standards. The MMI poll organisation has found that Labour is not very attractive to younger voters any more. There also appears to be a gap between the party's idealistic leadership and its shrinking working class base. However, Labour still remains relatively strong in the northern areas of Norway and the party continues to do well among women, especially among those who work in the public services.

Mrs Brundtland is planning a major political offensive for next spring, which she hopes will convince disillusioned former Labour voters that her party is in *the best position to uphold the* values of the post-war consensus, as well as provide a realistic strategy for the country over the next decade.

Certainly the 1989 general election promises to focus Norway's attention on the distinctively different political alternatives now being offered by the parties. Mrs Brundtland will be a formidable standard bearer for the Labour Movement however unpopular she appears to be this summer.

Robert Taylor

Politics

The appeal of Progress

THE RISE of the Progress Party over the past two years is the most dramatic political development in Norway since the Nazi occupation of 1940. "It amounts to a revolution in attitudes", said one pollster with MMI, the country's leading public survey organisation.

Last month, it is true that Progress slipped a little in electoral popularity – going down from 18.4 to 16.1 per cent – but at the last election in 1985 it polled a mere 3.5 per cent of the total vote and it has only two seats in Parliament at the moment.

Some observers believe that Progress may have peaked but Mrs Brundtland and other politicians in the established parties are not so sure. They fear that the appeal of Progress will attract many voters into its fold in September 1989 , adding a further degree of instability into Norwegian politics.

There is not much doubt that the sudden upsurge in support for Progress stems from the traumatic spring of 1986. The economic crisis at that time and the resignation of the non-Socialist government shattered popular illusions that prosperity could go on rising effortlessly and it dealt a serious blow to the credibility of the traditional politicians and their promises.

Progress has capitalised on the serious erosion of public confidence in Parliament and government, posing as the anti-party party, which will make a radical break with the old politics of the social consensus. It has drawn on the deep fears that lie just beneath the surface of Norwegian society about what its future is going to be.

Progress favours localism and is suspicious of the world outside Norway, particularly the European Community. It wants to slice away the heavy subsidies that protect the inefficient; privatise the state sector of the economy, including the oil and gas industries; tighten up on existing immigration controls and reassert governmental authority. Above all, Progress favours low taxation and a big cut in all forms of public expenditure.

The party is led by the 44-year old charismatic Mr Carl I Hagen, who has the exciting style of an American politician. His wit and cleverness have made him very popular. "Mr Hagen says what other Norwegians are thinking but dare not say",observes one seasoned expert of Norwegian politics. He has shaken together an intoxicating mixture of economic liberalism and social conformity that has found a welcome among a growing section of the angry and frustrated electorate.

The MMI pollsters have found that Progress makes its most effective appeal among men between the ages of 30 and 40 who are self-made but have been burdened by debts in recent years. The party is strongest in the more prosperous areas of Norway like the west and around Oslo. So far, despite Mr Hagen's alleged good looks, Progress is doing less well among women. But, to the horror of the Labour Establishment, it is winning over former Labour voters, particularly among trade unionists opposed to the Government's incomes policy.

By breaking the mould of Norwegian *politics, Progress is* regarded as a serious danger by other parties on the right. Both the Centre and the Christian People's Party have said they would refuse to ally with Progress in the event of a hung Parliament. But the position of the Conservatives is far less clear-cut. Since the resignation of Mr Willoch it has gone through a protracted crisis of leadership and, under Mr Jan Syse, it remains uncertain about to handle the threat from its right.

For Mr Hagen, there appear to be no problems at the moment. He is no longer regarded as an *enfant terrible* but observers question his willingness to shoulder responsibilities. It was Mr Hagen and his colleague in Parliament who brought down Mr Willoch two years ago and last summer he refused to join in a Conservative party-inspired attempt to topple Mrs Brundtland by pressing in Parliament for *higher farm subsidies.* His apparent refusal to fall into line with the old centre-right parties continues to upset them.

But the Progress leader can bide his time. He has played an active senior role in the party since it was founded in 1973, taking charge in 1978. Mr Hagen studied at the Newcastle College of Commerce and took part in British student politics in the early 1960s when he knew Labour's present education spokesman, Mr Jack Straw. Before embarking on his political career, he was managing director of the Norwegian subsidiary of Tate and Lyle, the UK sugar company.

It is widely believed that Progress cannot remain a protest movement for much longer. If it wants to thrive in Norwegian politics it will have to learn to compromise. There are some signs that this is starting to happen. Last month Progress backed the Conservatives on Oslo city council in a vote for cuts in the budget.

Moreover, the pollsters believe support for Progress is volatile and not very deep. A marked improvement in the economy could hurt Mr Hagen's chances. The other parties are also bound to increase their attacks on Progress as the next general election approaches, suggesting that it wants to destroy the social consensus of the past 40 years.

Many voters may well dislike the prospect of heightened political tensions, which would follow a huge success for Progress in 1989. Much is going to depend on Mr Hagen's tactics. To a surprising extent, his party is very much a one-man band. Over the past two years he has displayed a mastery of parliamentary manoeuvres. In the different post-election circumstances he may well find himself drawn into coalition government with the Conservatives. But if that did happen, Mr Hagen would lose the purity of his appeal as the anti-political politician. On the other hand if he stayed out of power on the sidelines he may find his *party losing support because of* its refusal to shoulder the burdens of office.

Yet win or lose – Mr Hagen is shaking up Norwegian politics in an interesting way that has caught the public's imagination.

Robert Taylor

POLITICAL TRENDS
Percentage support

PARTY	SEPT 1985*	SEPT 1987#	JUNE 1988**
Labour	40.8 (71)	35.9	33.5
Left Socialists	4.9 (6)	5.7	7.2
Conservatives	30.4 (50)	23.7	24.1
Christian People's	8.8 (16)	8.1	7.3
Centre	6.6 (12)	6.8	5.0
Progress	3.7 (2)	12.3	16.1
Liberals	-	-	5.2

( ) number of seats in Parliament, *at General Election, # at municipal elections, ** MMI poll

Carl Hagen, Progress Party leader, celebrating his party's successes in last year's municipal elections with his wife Eli

Many leading companies need to reduce their debt burdens

EC preparations impaired

ONE OF THE most prominent features of private Norwegian industry is the effort being made to secure stakes in companies owned and operated in European Community (EC) countries, as a way to gain a foothold in the EC before the single internal market is established in 1992.

Norway, as a non-EC member, is concerned that its exports might be placed at a serious disadvantage with a single EC market, which is currently the destination of some 70 per cent of its foreign sales. Consequently, the Government is formulating an export strategy for the 1990s which could mean a reshape of all rules and regulations affecting trade so as to conform with those applying in the EC.

Many Norwegian companies however may be short of the resources required to prepare for the internal market, as they must concentrate their efforts on reducing debt burdens. According to the Norwegian Information Council, the combined debt of the 67 industrial companies listed on the Oslo stock exchange increased by some 19 per cent in 1987 to $17bn from $14 bn the previous year.

Norsk Hydro alone, Norway's largest publicly-quoted company, has an aggregate debt of $7.4bn, amounting to some 74 per cent of total assets. But the company also netted a profit of NKr1.83bn in 1987, against a loss of NKr374m after tax the previous year. Norsk Hydro's result was helped by a strong recovery in selling prices for aluminium and petrochemicals and it allowed an increase in its dividend payout to NKr6 a share from NKr4.50 the previous year.

In May, Norsk Hydro announced plans to issue 17.1m new shares of common stock at a price of $25 per share to raise $433.3m in fresh capital. This was after the group had acheived a record first four month profit of $135m, up $75.5m on 1987.

In addition to debt, Norwegian industry also suffers from a high turnover rate for managemeot execntives. According to the Council, some 80 per cent of Norway's largest 100 companies have changed their top management in the last 10 years.

In January, Elkem, the metals group, appointed a successor to Mr Kaspar Kielland, the group's managing director, who stepped down from his post following criticism of the gronp's strong expansioo in the loss-making ferro-alloys market. Elkem was forced to pass its dividend after suffering group losses for the second year running. Although the aluminium industry staged a recovery, it was too late for Elkem to benefit from the upturn in 1987. Group losses, before extraordinary items, hit NKr155m compared with NKr278m in 1986.

To gain a stronger foothold in the EC's aluminium industry, Elkem in January doubled its stake in Alcoa Nederland to 50 per cent. The company supplies about 80 to 90 per cent of its annual aluminium production to the EC market.

In contrast Dyno Industrier, the diversified industrial group, has sustained the profitable growth enjoyed last year into the first four-month period this year. Earnings per share in 1987 reached NKr8.90 compared with NKr6.20 in the previous year. This year Dyno boosted its operating profit by 44 per cent to NKr132m, as sales rose to NKr1.67bn. Dyno finally saw a pay-off from explosivas operations where it has made its heaviest investments in recent years.

Chemicals and plastics are also experiencing an upward trend. Orkla Borregard, the industrial and investment group, also continues to advance. In the first reporting period of this year Orkla increased operating profits by 52 per cent to NKr167m because of sharp improvements in the industrial division. Four-month earnings per share were NKr16, up from NKr9. The group is optimistic and says that it expects an upward trend for consumer products and processing to continue throughout the year. In 1987 the group boosted pre-tax profits by almost 45 per cent to NKr465m dne to restructuring, higher product prices and favourable foreign exchange financing.

It maintained its dividend payout of NKr12.50 per share. However, there are a number of casualties amongst Norwegian companies. Norsk Data, the wonder-etock mini-compnter producer, suffered a collapse in earnings in 1987 while sales remained static after five years when sales grew at an average rate of 43 per cent. Norsk Data's troubles were attributed to a rapid build-up of distribution and marketing costs ahead of further sales growth in overseas markets which never arrived.

Saga Petroleum, the independent oil company, which saw earnings per share in 1987 nearly halved to NKr16.84, shelved its dividend payment. The company, however, remains optimistic for this year in spite of the uncertainty in the oil market and has revived plans to launch a convertible Eurobond of between $100m and $150m. Terms of the bond issue, which is being jointly managed by Morgan Stanley and Credit Suisse First Boston, have not yet been fully clarified. The conversion premium will be a minimum of 20 per cent above the real market price of the company's shares.

Saga's future has been safeguarded by the Norwegian government, which in June approved NKr31bn development plans for the Snorre oil field, in spite of industry criticism about risks surrounding the field reservoir characteristics.

Meanwhile Kvaerner Industrier, the engineering, shipping and shipbuilding group, which lifted profits in 1987 to NKr399m, is set to expand overseas. It has bought British Shipbuilders Govan yard in Glasgow.

In the deal, Kvaerner gained 40 per cent of British Shipbuilders' capacity. Kvaerner says that shipbuilding in Norway has becoma prohibitively expensive because of the high costs of materials and labour. The company is currently investigating price levels to build gas carriers in a move to upgrade its fleet.

Another industrial, Aker Norcem, bought into the EC market when it acquired the cement business of UK-based Rio Tito Zinc. Castle Cement was bought by Scancem, the Norwegian-Swedish joint venture formed by Aker Norcem and Euroc, respectively, for £230m. Aker Norcem's prospects for the year are not all that bright, however, and the company's president, Mr. Gerhard Heiberg, is looking to shed stakes in the Kosmos shipping group and Saga Petroleum if he can secure the right price.

In the first four month reporting period Aker Norcem increased losses to NKr37m on sales of NKr5.3 billion. Comparative figures for 1987 were NKr26m on sales of NKr3.47bn.

Karen Fossli

Stock market

Slow to stage a recovery

UNLIKE THE stock markets of its Nordic cousins, Oslo has been slow to stage a recovery to previous high trading levels since the world stock market crash in October. But then again, it was on a continuous upward trend which could not have been sustained indefinitely.

As of mid-June the Oslo index hovered between 290 and 295, or 30 per cent lower than just before Black Monday. Conversely, Sweden's stock index has risen by 34 per cent since Black October although its performance has not yet quite achieved it all-time high just before the crash. Between 1980 and last October it climbed by over 400 per cent, putting it among the world's best performers.

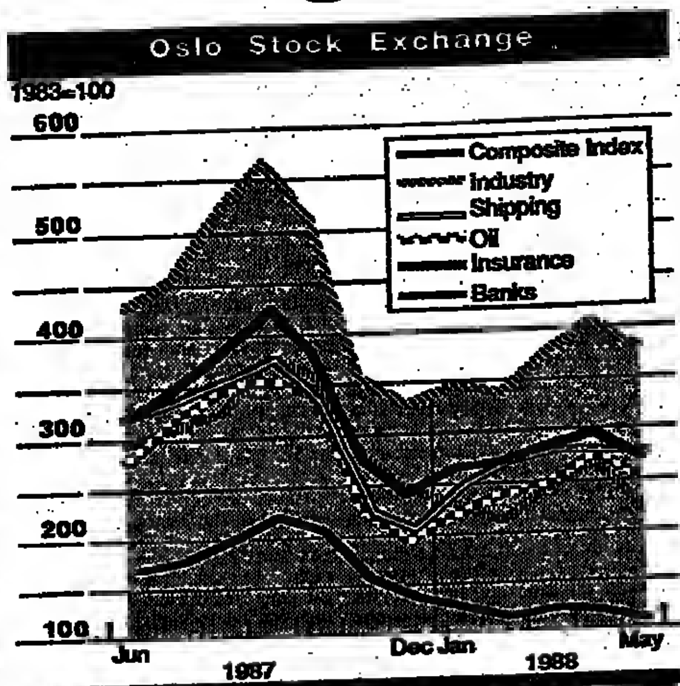
Finland's market this year reached an all-time high although few believe that it will continue its upward trend. As for Copenhagen, the index is about to establish an all-time high. Since Black October, recovery has been put at about five per cent.

There are several reasons for Oslo's sluggishness but the uncertainty surrounding Norway's economy has undoubtedly done little to enamour investors. During 1987 foreign investors accounted for about 40 per cent of all transactions made on the Oslo Exchange. The "real level" of participation has remained this year unchanged but they are going in and out of the market more frequently than before.

The economy, which is tied so strongly to oil – oil accounts for 40 per cent of Norway's exports – is threatened by balance of payments problems and a possible currency devaluation this year because of the weak oil price.

The Oslo stock exchange has experienced a period of heavy expansion in trading during the last five years. However, the spate of mergers and acquisitions, which has been a feature of the past two years, is now showing signs of slowing.

During the course of 1987, the Oslo SE composite index hit a high of 442.44 in September and plunged to a post-crash low of 241.76 on November 11, a fall of nearly 50 per cent. For the year as a whole, during which the composite index showed a net fall of 11.8 per cent, a total of NKr60.2bn worth of shares was traded compared with NKr29.5bn in the previous year, though only 40 per cent of the trades took place on the exchange.



This year the index achieved a high of 304.33 on April 11 and set a low of 268.88 on January 28. In May total market capitalisation was about NKr88.04bn compared with NKr74.6bn in 1986 and NKr77.1bn in 1987.

Behind the market's performance over the past 12 months lie a series of negative events affecting Norway's banks and big companies which have raised questions about the country's industrial management and economic performance. Incidents of mismanagement and huge losses registered by banks and big companies have been followed by a succession of company board resignations and investigations by Norwegian authorities.

At the same time, the government has done very little to stimulate activity at a time when the market was going into decline. Instead, it adopted a series of restrictive measures and new taxes which took effect in the New Year.

On January 1, it introduced a one per cent turnover tax – 0.5 per cent for the seller and 0.5 per cent for the buyer – which left investors searching for reasons why they should remain in Norway and wondering how far the government would go in trying to raise revenue for ailing state coffers.

There was already a feeling among investors that the level of capital gains tax was inhibitingly high. The tax is currently at 40 per cent, having risen from 30 per cent two years ago. And then in March, the government introduced a restriction limiting dividend payments to a maximum of the previous year's levels, with new companies being prohibited from paying a dividend on their first year's operations.

Although the government has taken steps to restore balance to the economy few believe the measures are the right remedy to cure the ills. However, for corporations which faced high production costs, interest rates and inflation, the government's wage and price freeze, also announced in March, came as good news. Industrial wages had risen by 11.8 per cent last year.

It's too early to tell how Norwegian companies will perform this year. First four-month results have only just begun to trickle in, and there are indications that at least the banks are not likely to regain this year much of the ground they lost in 1987. However, there is every indication that Norway's handful of blue chip stocks will continue to please. For companies like Norsk Hydro and Elkem prices for ferro-alloys and aluminium have firmed to higher levels after a period of depression.

It remains to be seen, though, if confidence in the Norwegian market is to be restored. Beyond market fundamentals, there have been several cases of illegal insider trading coupled with other infractions of the law which have required the bourse to expand its staff and resources to increase supervision and control.

It has felt obliged to introduce a "stock watch" system, headed by Mr Nigel Wilson, Vice-President, Analysis and Control, with the authority to intervene in disputes between brokers and ensure that rules governing information are observed.

Mr Wilson has also mounted an intense campaign to standardise the accounting practices of listed companies and bring about a general improvement in the quality and nature of information used in annual reports.

Early last month the Storting (Norway's parliament) approved new stock market legislation, giving the Finance Ministry the authority to appoint the stock exchange council, comprising 25 members. However, little headway has so far been made with proposed legislation to regulate options trading.

The Finance Ministry told brokers last month to stop all options trading activity until a new law can be put in place and gave the Securities, Banking and Insurance Inspectorate a mandate to suspend brokers' licences if they trade in options before the new law is effected.

A proposal is under discussion which will give the Ministry the right to decide which options can be traded and the bourse a monopoly over the listing of options. A separate clearing house is to be established which will follow-up and guarantee the transactions made. It will bear the economic risk for these transactions.

Karen Fossli

Banking

A return to basics

NORWAY'S COMMERCIAL banks, having suffering horrendous losses in 1987, face less than glowing prospects this year.

The banks are paying dearly for the rapid expansion course on which they embarked following deregulation in the mid-1980s. There are also signs that they will continue to pay, at least for another year, or perhaps even two, for their lax attitudes towards risk assessment, lending policies and securities involvements.

Although they claim to be returning to traditional banking activities, retrenchment to domestic business is not likely to remedy their problems. Critics have pointed out that challenges on the domestic front are just as demanding as those they face internationally. There is, however, scope for an increase in charges in many of their retail services which have long since been considered under-priced.

Following deregulation, Norwegian banks were pitted against each other in a race to hand out loans to new customers. They have lent heavily to high-tech projects and new business sectors – such as fish farming – which have yet to achieve respectable earnings. Their expansion was fuelled by a non-sustainable growth in demand as risk analysis lagged far behind the rate of growth.

According to Mr Trond Reinertsen, managing director of the Norwegian Bankers' Association, "the economic maladjustment which took place last year was dne in part to under-pricing of banking services". At the same time, he admits that loan losses are just not coming down fast enough.

The biggest loser, to jndge from losses experienced in 1987 and first interim results for this year, has been Den norske Creditbank (DnC). Once Norway'a largest bank, in 1987 it suffered losses on loans and securities of NKr1.5bn, compared with net profits in 1986 of NKr327m.

Last month DnC forecast that its losses on loans and guarantees for 1988 could be as high as NKr1.1bn. For the first four months of this year DnC's operating profits fell from NKr431m to NKr278m, while at the net level there was a loss of NKr99m against a net profit a year ago of NKr140m.

DnC is currently engaged in painful restructuring which has already led to the resignation of its former chief executive and board, and to a radical shakeup of the headquarters management and some of its foreign operations. Not surprisingly, the bank had to forego its dividend payment for the second year running - in 1986 it opted instead to distribute bonus shares.

The bank has come nnder heavy fire from Norway's Banking, Securities and Insurance Inspectorate which accused DnC of lacking routine internal controls especially for securities transactions.

There'e no doubt that the Norwegian authorities are bell bent on making an example of DnC, in a bid to scare the other banks into a sense of sobriety. Besides being forced this Spring to reorganise its securities trading business into a separate company outside the bank – other banks are being recommended to do the same – DnC has also been at the centre of a criminal investigation into the affairs of a former securities dealer who allegedly involved the bank in illegal securities transactions which created losses of some NKr800m.

Christiania, currently Norway's largest bank, weathered the storms of poor results and the stock market crash better, but only just. Because of heavy losses, it too, was forced to pass its dividend. It fears that this year's level of losses will match last year's level.

For 1987 a decline in operating profits to NKr460m from NKr1.25bn was translated at the net level into losses of NKr490m versus a net profit in 1986 of NKr842m. Again, the poor result was due to large write-offs on loans and guarantees. Restructuring is also underway. However, Christiania reported an improvement at the first four-month interim stage to NKr401m from NKr382m in the corresponding period in the previous year.

Bergen Bank, Norway's third largest bank, on the other hand outperformed its top two competitors last year. Although costs increased by 28 per cent, its profit, before provisions, slipped by only 15 per cent to NKr764m from NKr895m in 1986.

With all the talk of tightening controls and getting back to banking basics, Mr. Reinertsen says that Norway'e industrial sector is worried that the pendulum is swinging too far in the other direction. "We are worried about the level of investment which will be allowed for the next few years," he said. He made it clear that the banks are going to have to "work themselves back into a loan loss discipline" which is one-half n percentage point of their total assets. In 1987 this was 1.23 per cent and in 1986 it was 0.63 per cent. "The historical norm has been on the low side of one-half a percentage point," he said.

An improvement is essential if the banks are to restore their credit ratings which have been, in some cases, lowered or put under review. At one stage during a period there were market rumours that their credit lines had been restricted and put under daily review.

The Norwegian authorities are as much to blame for the banks' situation as the banks themselves. Equity capital requirements were not increased to match those of the Bank of International Settlements (BIS). For Norwegian banks the equity capital requirement is 6.5 per cent while BIS advocates a core capital of 8 per cent.

Last June a warning was sounded through an audit of bank lending figures by the Central Bank which discovered that several banks had exceeded loan ceilings. The Storting's (Norway's parliament) finance committee claimed that the banks overshot the Budget's proposed lending target of NKr19bn. The only action taken by authorities, however, was to impose financial penalties.

With current woes besieging them, Norway's banks have had little time to focus on a strategic plan to confront the EC's proposal for a single market, or more precisely a single banking market, something which should be at the top of their agenda. For Norwegian banks, the prospect of 1992 are especially daunting since the country's authorities have done little, if anything, to liberalise capital flows in and out of the country.

The Norwegian Bankers' Association recently joined the EC bank federation as an associate member, however. While membership has only limited implications, it will at least give the banks access to information about the Community's plans. There are questions about external regulation, foreign exchange regulation and how Norwegian banks are to maintain competitiveness if Norway remains outside the EC once the internal market is established.

So while their other non-EC neighbours are busily preparing for 1992, Norwegian banks are seeking ways to survive their economic doldrums.

Karen Fossli

Norway is faced with a declining population

A need of immigrants

A RECENT opinion poll from MMI found that 58 per cent of Norwegians are very tolerant towards foreign immigrants in their midst, even ready to accept them as members of their own family. But in recent years the country has acquired something of an international reputation for being hostile towards immigrants.

Some of the success of Mr Hagen's Progress party is put down to its call for tougher immigration controls. Fear of immigrants, especially from the Middle East and the poorer nations of southern Europe, seems to evoke deep fears among many Norwegians, particularly in the rural areas. But it would make much greater economic sense for the country to practice an open door policy towards immigrants because many employers, especially in the Oslo area, are desperately short of labour of all kinds.

Earlier this summer, a government-appointed commission argued that immigrants into Norway might prove to be as profitable to the country as the revenues acquired from the Gullfaks and Snorre oilfields, estimating that every asylum seeker would eventually give Norway a capital value of about $25,000 over the next fifteen years. The commission's findings revealed that the average foreigner settling down in Norway becomes a financial asset not a liability within three years of arrival.

A recent official report prepared by Norway's Central Bureau of Statistics suggested that by the year 2005 the country would need an annual intake of 15,000 immigrants in the 20 to 30-year old age group to meet the demands of the labour market and boost the birthrate, if the present level of pensions and facilities available to pensioners were to be maintained into the next century.

This problem is due to the longevity of life for most Norwegians. Only the Australians live longer. And as the baby boomers of the 1940s enter retirement age, they will ensure a massive proportionate increase in the number of dependent people in the country.

Moreover, for the first time in its history, Norway faces a steady decline in the total size of its population. At the moment around 4m, it is expected to drop to 3.4m over the next 50 years. The Central Bureau of Statistics has calculated that, without immigration, the net fall in Norway's population will start from 2000, which with a net inward flow of 5,000 a year the decline in population won't get underway until 2023.

The report suggests that there will be a steady drop in the numbers living in as many as 8 out of every 10 communities in northern Norway and only the towns of the south and Trondheim in the central region of the country will actually experience any net increase.

Opponents of immigration complain that foreigners become burdens on the generous Norwegian welfare state. As much as 20 per cent of the transfer social security payments, which totalled $67m last year, went to asylum seekers but the huge 63 per cent rise in social assistance since 1981 is due mainly to the rising number of older people unable to make ends meet on their present pensions; their number has increased from 65,000 to 127,000 during the past seven years.

Recently the Government decided to increase the size of its refugee quota by allowing families that have been split up to come together. But under popular anti-immigrant pressures it has tended to tighten up rather than loosen its immigration controls even though only around 2.5 per cent of Norway's population is foreign-born. This is certainly a bigger proportion than in Finland but far less than in Sweden.

As Norway moves towards a freer internal market it needs to reverse its official attitude to immigrants. There seems no likelihood of millions flooding in to swamp the country's welfare services. Yet those who came would help to make Norway a much more dynamic and creative country.

There are no signs that Norway has changed its attitude towards membership of the European Community deepite the npsurge of anxiety across the Nordic area over recent months about the move to the internal market by 1992. A desultory debate on the EC took place in Parliament in May but none of the Norwegian political parties want to revive an issue that bitterly split the nation in 1972 when the referendum vote went against EC membership by 54 per cent to 46 per cent.

Today opinion polls suggest that the anti-EC vote is much stronger than it was sixteen years ago so there is little point in any political leader who wants to succeed in next year's election in raising the European question. Clearly most Norwegians do not regard the EC as any help in resolving their own country's internal troubles, at least not at the moment.

This has not stopped the opening of an EC information office in Oslo this spring. But such a move should not give any outsider the idea that Norway is moving irresistibly down the road to Brussels.

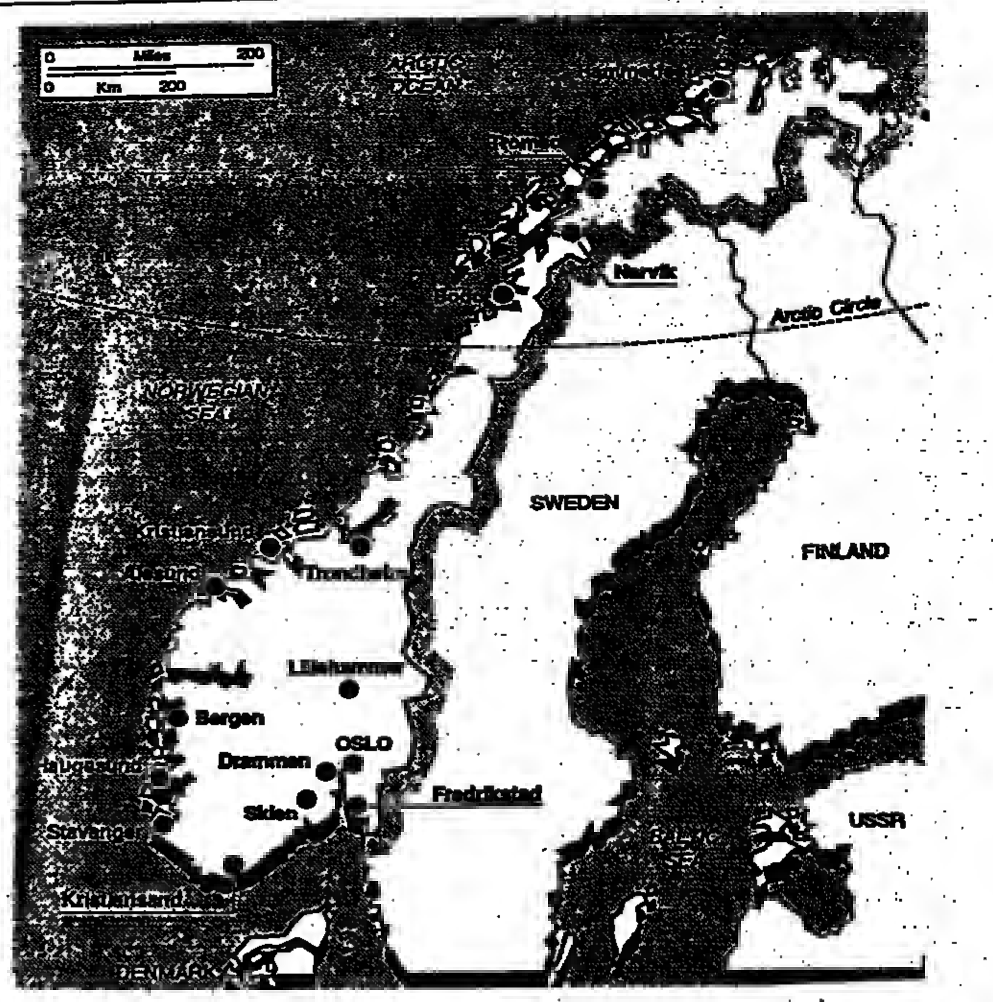
It is true that Prime Minister Bruntland has said that the Norwegian Parliament will make whatever changes are necessary in the regulating of the economy to fit in with the EC's internal market moves but she is going to find it very difficult to translate good intentions into legislative practice. Indeed, the contrary seems to be happening.

Recent laws suggest that Norway prefers to stay in splendid isolation unmoved by the developments that are bringing the EC economies much closer together. The spirit of economic liberalism is very weak in Oslo at the moment.

Robert Taylor

Energy supplies

Oil reserves reassessed



FOR ALL ITS rich endowment of offshore oil and gas resources, Norway's balance of payments is in worse shape now than before first oil was discovered commercially in 1969.

Having enjoyed boom years from the upsurge in oil and gas prices in the 1970s, the country just wasn't prepared for the price collapse of 1986 when oil prices went into free-fall and eventually hit a low of $8 per barrel – having started the year at nearer $30 per barrel.

State earnings from oil and gas reached a peak in 1985 when gross production was valued at slightly less than NKr94bn, or 19 per cent of Norway's gross national product (GNP). In 1986 gross production value slumped to slightly less than NKr56bn, or about 11 per cent of GNP.

Last year, when oil prices began to stabilise at about dollars 15 per barrel, the state coffers were partially replenished. Gross prodnction value reeched NKr67.2bn or 12 per cent of GNP.

The previous Conservative administration, sitting contentedly in the midst of oil wealth, had rejected a proposal made in 1985 by Mr Hermod Skaanland (now governor of the central bank) to create a reserve fund in which a percentage of earnings from oil and gas sales would be set aside for use as a "buffer" during rough times.

One year later the heyday came to an abrupt halt. By that time Norway's addiction to oil had become a serious problem – prices plummeted and the country was faced with the bleak prospect it had no new "elephant" fields to develop.

Oil reserves are on the decline and no new large oil fields have been discovered. Exploration efforts have turned to the icy climes of the Barents Sea but operating costs in the area could become prohibitively high should oil prices suffer another collapse – a major oil discovery there would require an oil price of at least $25 per barrel to justify its development.

But after three years of fruitless exploration, the government now finds itself faced with the task of sustaining industry interest in the Barents Sea. It has called for an increase in activity and is offering more exploration acreage there than ever before. And, in spite of mediocre oil prices, oil companies still seem keen to try their luck though complications could arise with the Soviet Union as exploration begins to impinge on the boundaries of the disputed area of the Barents Sea.

As a result of the disappointing results so far, the Norwegian Petroleum Directorate (NPD) has just cut its estimate of recoverable oil reserves in the Barents Sea by two-thirds from 1.5bn tonnes of oil equivalent (t.o.e) to just 0.5 t.o.e. Gas reserve estimates, on the other hand, remain unchanged at 2bn to 4bn t.o.e.

The fact that NPD sees the Barents Sea as a primarily gas prospective region is not a welcome development. Norway now has an embarrassment of gas reserves, totalling some 2.3bn tonnes of oil equivalent. Almost half of western Europe's proven gas reserves are located on the Norwegian continental shelf.

But unlike oil, gas sales are a complex, long-term business, requiring a relationship between buyer and seller groomed over a long period of time.

Gas sales contracts signed with European buyers in 1981 have become a loss-making enterprise for the government, since the formula which was agreed has cut receipts to less than the cost of transporting the gas to customers.

It is not yet clear how future gas sales to the continent will be affected by the creation of a single internal EC market in 1992. What is clear, however, is that Norway's non-EC status will do little to enhance its accessibility to the continental market once the internal market is in place.

The uncertainty over future oil and gas markets is also forcing the government to rethink its policy of direct involvement in the oil industry. In May, Mr Arne Oeien, the Oil and Energy Minister announced the Government's intention of selling the state's stake in the Snorre oil field. It is believed that this could clear the way for additional sales of other oil field stakes in future.

There is also to be a discussion this autumn in the Storting (Norway's parliament) about the future organisation of Statoil, the troubled state oil company. Last year, revelations of a budget overspend of NKr6.8bn on the Mongstad oil refinery and terminal expansion project embarrassed the government and ended the autocratic rule of company president Mr Arve Johnsen.

Under the new leadership of Mr Harald Norvik, the company has been reorganised but a further shake-up, even semi-privatisation, could be in prospect if the government so decides.

Karen Fossli

Shipping register

Owners sign up

NORWAY's international ship register (NIS) is a year old this month. By June 10, 234 ships of 12.1 million deadweight tounes (dwt) had joined the register, of which more than half had been transferred from foreign flags, mostly by Norwegian owners.

To the extent that it has proved itself capable of attracting a core of Norwegian owners back to the national flag, the register can claim to have been a success. But officials say the rate at which ships have been joining has been only "modest," and concede that convincing foreign shipowners to sign up is proving a challenge

The primary purpose of the register was to stop the flood of Norwegian owners to the "flag of convenience" or "open" registers such as Liberia and Panama by offering broadly similar savings on crew costs.

In this respect, the NIS is part of a common response among the traditional maritime nations of Europe to the steady decline of the link between their merchant fleets and the national flag.

Similar "offshore" registers exist, for example, for French shipping (the Kerguelen islands) and for UK owners (the Isle of Man). West Germany, Denmark and other countries are poised to follow suit.

Mr Arild Wegener, a director of the Norwegian Shipowners' Association, says the main object of the NIS – giving Norway's shipping industry a new lease on life – is being met, although there are still 463 Norwegian owned vessels, of 15.2m dwt, under foreign flags. "We know that not all will return to Norway," he concedes.

The NIS has had significantly less success in attracting foreign owners to the register. On June 10, only nine ships were 100 per cent foreign-owned, and a further 15 partly foreign-owned..

Mr Kurt Mosbakk, Norway's former shipping minister, and the moving spirit behind the decision to establish the NIS, says the difficulties in attracting foreign owners may be due to the structure of the register.

"Although NIS is an international ship registry, its establishment was intended, first and foremost, to encourage growth and progress in Norway's maritime sector. It is perhaps this very feature that will be a limiting factor for foreign entries," Mr Mosbakk says.

Some shipping analysts have suggested that the incentives for foreign shipowners to join the NIS are not strong enough to justify the cost of moving from one register to another. The red tape involved in the process is also said by some shipowners to represent a formidable barrier.

NIS officials argue, however, that their registration fees are competitive, and that fees are proportionately smaller for bigger ships. For example, the basic fee for the registration of a ship of 70,000 dwt is NKr1 per tonne, plus an annual fee of the same amount.

Officials claim that NIS fees are lower than those of Liberia, the biggest open register, because the Liberian register is operated as a source of Government revenue. The NIS, which is a non-profit organisation, says its fee income covers operating costs, and helps pay for the operation of Norway'e Maritime Directorate.

Mr Wegener, who describes the NIS as a "success story," says the lack of foreign interest is caused by the Norwegian tax system rather than the rules and regulations of the NIS itself.

In partial recognition of this, the Government bas recently relaxed the tax burden on non-Norwegian seafarers by raising the monthly tax threshold from Nkr 6,000 per month to Nkr 12,000. This means that, in practice, only senior officers need pay Norwegian taxes.

Despite this, there is some evidence that the regulations of the NIS do deter foreign registration. For example, one rule stipulates that the masters of NIS-registered ships must be Norwegian.

Mr Wegener says the NIS authorities have taken a fairly relaxed attitude towards this rule, and that companies can apply for a dispensation from the Norwegian Maritime Directorate.

Work is underway on a more liberal and flexible interpretation of the rules and other restrictions will probably be lifted shortly, Mr Wegener says.

K.F.

Through foreign eyes

IN THE rough, tough international business world Norwegian employers with export orders in mind need to know bow their potential customers regard them. A recently pnblished hook in Norway by two management experts (Kjell Habert and Arild Lillebo) has been cansing some shock and dismay in many boardrooms around the country.

Based on the views of 80 executives from 18 different countries,the book (Made In Norway) provides an illuminating picture of the Norwegian businessmen as seen through foreign eyes.

Overseas they are often seen as provincially-minded, simple people who are too trusting, believe Norway is the centre of the universe, dress too casually, have no idea of punctuality, are naive and unsophisticated, drink too much and are slow to make personal contact with foreigners. One Italian executive observed: "The Norwegians work in order to live. They don't live in order to work," a remark which most would regard as more fittingly applied to his own countrymen.

Certainly Norway's working hours – or lack of them – arouse foreign executive comments. A French employer says that most of his business colleagues are confused when they come back from lunch and find, on phoning, that nobody in Norway remains at their desk in the afternoon; they leave the office as early as 2.00pm on hright summer days.

One British executive tells a story of how one of his staff was talking on the phone to a Norwegian colleague when in mid-conversation he exclaimed: "Good heavens, it's 3.30pm," and put the phone down.

The book also suggests many Norwegian bnsinessmen suffer an inferiority complex about their Big Brother neighbour, Sweden, which is seen as a more pushy, arrogant country by comparison. But they are admired abroad for their efforts to avoid conflict at work by building up consensus, yet seen as slow and indecisive in business matters.

No doubt, many overseas businessmen cannot understand why Norway is one of the most prosperous countries in the world. To the fury of some employers in Norway, the survey gives the impression that many of them are little better than country cousins, midgets in the world business league. Maybe the apparent complacency, lack of ambition and sheer gaucheness will change in the face of the EC business challenge. Yet perhaps also the quieter tempo of Norwegian life is really a better way to survive.

Robert Taylor

In search of a strategy

Continued from Page 1

the surface during the coming years'.

And finally there is the third or "renewal" scenario, which is described as the revitalisation of the Norwegian business idea. This begins with a further boost to the public sector because Osmundsen and his co-authors argue that "the Norwegian private sector on its own is not strong enough to ensure a process of renewal". By 2000, Norway will have the world's "most efficient public sector" and the state will play a major role in economic life. The country will join the EC in the mid 1990s without a referendum. The growth of petroleum-related ectivities will not "crowd out" other types of economic activity. The report believes foreign observers will be impressed by Norway's low unemployment rate, high growth and general efficiency bnt they will ask: where is the warmth?

Mrs Brundtland and her Cabinet colleagues have decided to carry out a similar exercise in futurology which will be publisbed next spring as Norway's ten year plan. It looks like being a vigorous reaffirmation of the Social Democratic ideal in what will be general election year. "Norway has got to go through greet change", sbe told the Financial Times last week. "We heve to restructure our industries, encourage greater research and development in new products and develop our education system to give people the chance to develop new skills". And sbe went on: "This can be done without a long and dangerous period of unemployment. That is not necessary and can he avoided. What we want is a deliberate policy for change without social tensions".

This may indeed prove to be like the "narrow path straight through" that Peer Gynt finally found and help to pull Norway out of its present dangerous malaise. If this happens it will be an encouraging departure from the national habit of "going round" the problem. Whether it will also help the country to come to terms with the EC is debatable. Bnt at least the voters next year will only have themselves to blame if they fail to make s clear choice in what is already promising to be a watersbed general election.

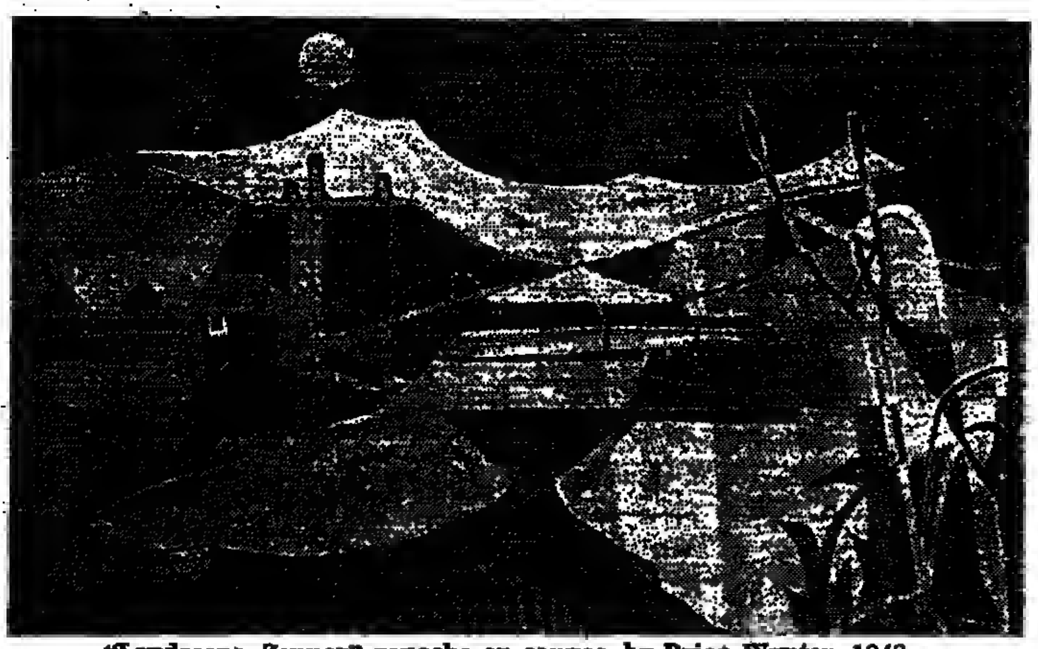
London Galleries/William Packer

Gently drawn through the landscape

The Experience of Landscape now occupying the foyer of the Royal Festival Hall (until July 30: then on to Walsall, Newtown, Eastbourne, Edinburgh, Ayr and Wakefield), is a small touring show organised by the South Bank Centre drawn entirely from the Arts Council Collection. It has already been on the road a year and has another year to go, but its turn-around at home base is a special moment to catch it, not merely for its own sake – for it is quite delightful – but for the manner and particular place of its showing.

One of the few lasting good things to come down to us from the arts policies of the GLC was the opening up to general use of the principal foyer of the Royal Festival Hall, but it has needed time to prove itself independent of any political expediency. An important new public exhibition space is always to be welcomed, but here was one that was honoured for a period more in the abuse than the performance.

It is a difficult, open space not designed, as the Hayward supposedly was, for exhibition use and it was never enough just to knock up a few screens and cram in the work. But since being taken over by the Arts Council's Department of Fine Art, upon its translation to the South Bank Centre, things have improved no end. The trick is to contrive screens substantial enough to celebrate the work undistracted rather than merely support it; this also gives the opportunity of disposing the works in an infinitely variable open plan. And so it is that the visitor may move through this elegant exhibition as freely as through the landscape itself, with concentration unimpaired.



"Landscape, Zennor" gouache on canvas, by Brian Wynter, 1948

The Council's Collection is of British art, or art made in Britain, of the modern period; here the intention has been to pick a common thread throughout. Such threads cannot be laid and followed enough, for though they may seem self-evident to many of us they remain obscure or broken to many more, who are confused or distracted by the superficial variety and experiment especially of modern art. But the experience of landscape is common to us all, artist or not, and though its expression in art may take markedly different forms – abstracted, removed or diffracted – the essential sympathy remains remarkably the same.

The epigraph to the excellent catalogue (which is most imaginatively augmented by contemporary poetry of landscape, complementing the visual material) is taken from Peter Lanyon who said: "I do not start with the idea but with the experience." He died in 1964, victim of a glider crash, and the longer our view of his work, as recent exhibitions have made clear, the more obvious it is that he was hardly the abstract expressionist we thought him but a true artist of the landscape with a free, soaring and swooping vision of the world. Here he is with other manifest expressionists, Matthew Smith in the 1930s, Bomberg in the 1940s, Hitchens in the 1950s, Auerbach and Hubbard in the 1960s, Terry Setch in the 1980s, and all would seem to be demonstrating the same truth.

Others may seem more direct in their approach, remaining closer to their subject in actual appearance, but there too the sense of place, the sensation of a physical experience transmitted through the imagination transcends description, whether it is Duncan Grant's sunlit doorway, John Minton's bucolic idyll, or Carel Weight's Good Samaritan. Most straight-forward of all, of course, is the work of the several photographers, but here again the appearance is deceptive: the selective, endlessly contrived precision of the image moves the statement beyond simple record of place and moment towards something timeless and universal.

There is more to join them to the painters than to separate them, though Hamish Fulton may set off on an epic walk through Alberta, registered by 7 twigs laid on the ground, or John Latham simply offer the documentation of the spoil heap of Carberry Bing. Fay Godwin, in one of the extended captions in the exhibition, gives an account of her working method, which is of being rooted to the spot and apparently doing very little, yet working frantically for hour upon hour as the light shifts and the weather changes.

★

Though one would hardly think so by the weather, we know it must be the midsummer by the reappearance of *Artist of the Day* at Angela Flowers (11 Tottenham Mews, Tottenham Street W1). Now in its fifth year, the principle remains unchanged with ten assorted artists and friends of the gallery each invited to nominate another artist to be given a solo show for a day. Each day is therefore something of a vernissage, bringing its interest and surprises, the return to attention of an artist too long neglected or the rising of a bright new star. Look in upon it every day, or as many as possible – for the gallery keeps ready to hand at least one example of the work shown on the previous days. The programme is now into its second week and ends on Friday. I shall not make any particular recommendations, since circumstances allowed me only one visit last week. My intention this week is fully to make up for such inadvertent neglect.

The Undivine Comedy/Almeida

Max Loppert

Michael Finnissy is one of the composers on whom the 1988 Almeida Festival has focussed. A weekend of Finnissy concerts, notably Friday's London Sinfonietta programme under Oliver Knussen, climaxed in the British première on Sunday of *The Undivine Comedy*, his first full-length opera. It was first given in Paris last May; the enlightened sponsorship of the Louis Vuitton Foundation has made possible the venture in both cities, and, in addition, a production of considerable physical substance (as well as marvellous beauty) in which an exciting new work, gruelling but also continuously gripping, could most impressively be presented.

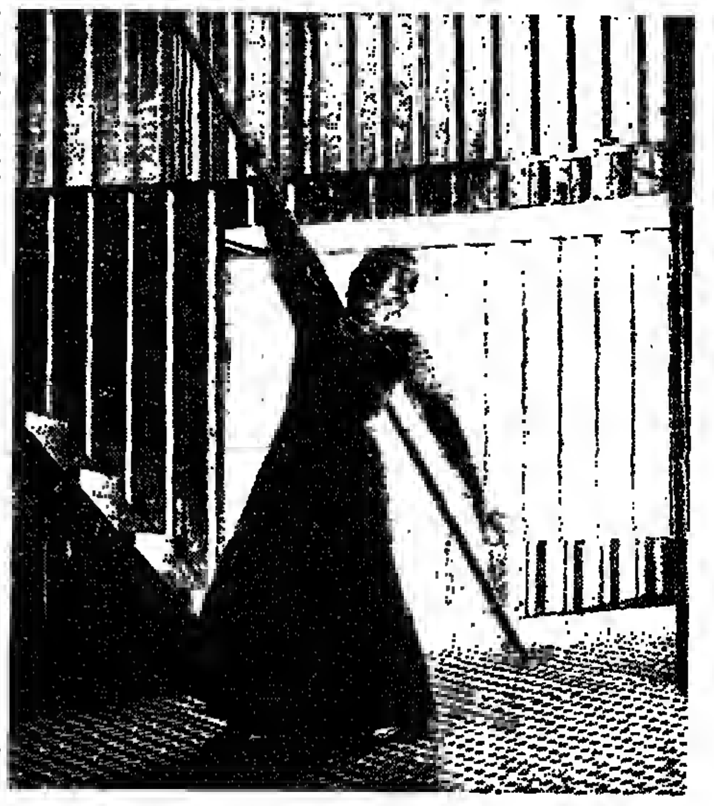
Finnissy (b.1945) is a "turbulent priest" among English composers, a stirrer (in all senses) who has resolutely kept himself and his works far outside the ranks of the safe, neatly finished, and predictable. Immensely prolific, he has already several dance and music-theatre scores to his credit, and this first opera – typically "confrontational" in its aims, wide-ranging in its ambit of styles, volatile in its sound-world – has a confidence and certainty of direction very different from the usual avant-garde première. The very choice of basic subject-matter, a play of the same name by the leading 19th century Polish writer Zygmunt Krasinski dealing with irreconcilable polarities of Art, Life, and Revolution, is a mark of Finnissy's boldness.

He has adapted the libretto himself (adding thereto extracts from Holderlin and De Sade), shaping a two-hour work of 17 scenes played here in two acts. One of the many extraordinary things about *The Undivine Comedy* is the combination of unremitting intensity and darkness of mood with extreme spareness – often, one would say, diaphanous economy – of means. The nonet of instrumentalists (occasionally supported by pre-recorded tape) is seldom used in full, and mostly with fastidious care to fix a chosen blend of timbres to a particular scene.

There is a quintet of personages – abstractly named Count, Countess, Muse, Son, and Leader – each of whose dramatic functions is skilfully underwritten by the character, lyrically fluent as well as expressionistically angular, of the vocal writing. It seems to me that Finnissy, a confessed Verdi-lover, has learned something important and valuable from early Ottocento opera – the unadorned use of the singing voice to generate the theatrical impact. Simply in terms of variety of incident, this is a rich score, coloured by the "world" music" sounds (dervish pipes, Levantine cantillations, folk-fiddle pairings) that Finnissy has always brought into his music; the appositeness of the colouring to the dramatic purpose is never in question.

And that purpose itself is never in question, even when left obscure during a first encounter. This is an unfashionable opera – in the Almeida programme the composer admits as much – in its determination to dramatize and confront a spiritual quest. It operates in difficult areas of human existence; difficulty is not at all *à la mode* in the current era of so-called post-modernism, yet it's clear that everything complex or intricate in Finnissy's dramatic scheme is a matter of burning importance to its creator. During Sunday's performance I sometimes wondered about the length of certain scenes, and about whether it might not have been possible to employ more fully the means that the medium also offers for concentrating and telescoping verbal exegesis in music. But I never lost my awareness that this was something new, passionate, and vigorous on the operatic scene.

It has been realized in a performance of quite startling musical excellence, conducted by Finnissy himself. The cast – Richard Jackson (a most eloquent and affecting Count), Mary King, Pauline Vaillancourt, Nigel Robson, Richard Morris – tackle their elaborate, farflung lines with rare understanding and accomplishment. The stark-outlined metal set, designed by Kate Blacker, is not just of great, severe beauty to look at but affords the advantages of a malleable location which Pierre Audi's stylized production seizes to the utmost. (Once or twice, as in the gathering of Revolutionaries, I found myself wondering whether a more naturalistic staging mightn't prove less momentarily confusing.) Further performances tonight, Thursday, and Saturday.



Alastair Muir

Pauline Vaillancourt

Colleen Dewhurst and Jason Robards

Long Day's Journey into Night/Broadway

Frank Lipsius

Produced twice in three seasons, *Long Day's Journey Into Night* is assuming a unique place in the dwindling fortunes of Broadway. Staged this time at the Neil Simon to celebrate O'Neill's centenary, the play seems increasingly emblematic of the times. It is, after all, about an actor who settles for popularity rather than greatness, eventually giving up work altogether and dabbling in finance.

Disease and drugs have sapped the family of its emotional bonds and prosperity. The younger son has consumption, a disease virtually forgotten until AIDS introduced a new generation to the debilitating cough of tuberculosis.

Jonathan Miller's version with Jack Lemmon two seasons ago became a sprint of three hours by virtue of cutting lines and overlapping speeches; José Quintero's now pays full respect to the text in a laconic, riveting four hours featuring two superb actors, Colleen Dewhurst and Jason Robards.

From the opening wordless embrace of James and Mary Tyrone, the production conveys a love that underlies all of the subsequent dissension and bitterness. In the slow, unhurried rhythm, each speech wafts into the steamy atmosphere and finds its mark, then floats away. The essential closeness of the family remains.

Miss Dewhurst makes it clear that the hovering grey presence of Mary, buttoned up in a high collar and prim hairdo, has already started to drift away in morphine addiction. Her glassy-eyed somnambulist walk is ghostly, yet she is obsessively aware that her family's spies on her. She rebukes them sadly, not harshly, resigned to her own responsibility for the wrenching night she will put them through.

In a family where criticism of James is often the only unifying factor, Jason Robards' equanimity supplies the good-natured jauntiness and tender solicitude that persist until the middle of the second act. Robards, who played Jamie in Quintero's original 1956 Broadway production, puts paid to the growing emphasis on Mary in recent revivals. James is clearly the lynchpin of a household that comes apart with the onset of his disillusionment.

Jamey Sheridan and Campbell Scott give affecting, understated performances as the sons Jamie and Edmund. Sheridan, who played Chris Keller in last season's Broadway revival of *All My Sons*, seems to specialise in the "other" brother role. Ben Edwards' set is cleverly foreshortened to keep the actors close to the audience in the dreamy Connecticut summer-house. The last scene, with James frozen in his wicker chair clutching Mary's wedding dress as she rambles on incoherently, produces a memorable vision to cap a generation's homage to the playwright now settled at the centre of the country's dramaturgy and experience.

Frankfurt Ballet/Châtelet, Paris

David Vaughan

William Forsythe is at present the most successful and sought-after choreographer in Europe. The Frankfurt Ballet, of which he is artistic director, appeared in Paris last week at the Châtelet, in his full-length work *Artefact*; before that they played at the City Centre in New York, as part of the city's first International Festival of the Arts.

Forsythe is in fact American, a former member of the Joffrey Ballet, who joined John Cranko's Stuttgart Ballet in 1973 and soon began to choreograph. In 1984 he took over the Frankfurt company; he has made works for Netherlands Dance Theatre, the Paris Opera Ballet, the Joffrey Ballet, the San Francisco Ballet and, most recently, for the New York City Ballet's American Music Festival.

Forsythe's ballets are a blend of post-Balanchine neo-classicism and post-Pina Bausch Tanztheater. *Like his predecessors Glen* Tetley and John Neumeier, two other Americans who have conquered Europe, he can spin out a seemingly never-ending flow of steps, each of which means as much, or as little, as the ones before and the one after it.

His musical accompaniment often takes the form of an unremitting, rock-based ostinato to which these movements can be set with as little variation in dynamics. Dancers like to do this kind of thing because it gives them an aerobic work-out, and audiences like it, one assumes, because they like seeing dancers knock themselves out. The applause takes off from the frenzied pitch of the music, matching its sound and fury.

Fury is indeed the other important element of Forsythe's work. His most famous piece, *Love Songs*, is the ultimate battle of the sexes ballet, an ironic interpretation of what used to be called torch songs, sung by Aretha Franklin and Dionne Warwick – except that this is hardly a battle, the women are seen as all-too-willing victims, destroying themselves while their men watch contemptuously from the sidelines. Other pieces transmit a puerile political message, such as *Skinny*, which has two choreographers, Forsythe and his disciple Amanda Miller. Here the dancers are got up as adolescent rebels, some of them a little long in the tooth, in baggy shorts and torn T-shirts.

In the more "classical" pieces the women are dressed in sleeveless black leotards and sheer black tights, as in *France/Dance*, originally made for Paris shortly after the death of Balanchine, from whose ballets there are several quotations – an act of homage, perhaps, or of deconstruction, the fashionable word of the moment, which seems to mean that the passages are torn out of context and poorly danced.

Through it all there wanders a midget "narratrice" named Sabine Roth, who displays cut-outs of the Eiffel Tower, the Empire State Building and the Tower of Pisa, with comments like "celui-ci est plus formidable que celui-la." The stage lights go on and off, so do the house-lights, the curtain goes up and down – this is avant-garde theatre. The pretentiousness of it all is appalling and its popularity infinitely depressing.

Borodin Quartet/Elizabeth Hall

Richard Fairman

Illness had forced the cancellation of the Borodin Quartet's last planned recitals in London and their appearance on Sunday afternoon at the Elizabeth Hall, added to the concert schedule late in the day, was clearly intended as recompense for their many admirers here. A nearly capacity, and duly appreciative, audience was on hand.

The programme was short, but in no other sense could this be seen as merely a makeweight event. Over the next three years the Borodin Quartet will be recording a complete cycle of the quartets of Beethoven and the enormity of that undertaking could already be sensed in the commitment and depth of feeling with which they approached two representative works from the canon here, one each from the composer's early and late periods.

The great value of the Borodin's performances is the way they are able to articulate what they want to say about their music. As the general style of their playing is so perfectly controlled, any specific interpretative points they want to make are almost certain to hit home: the darker tone quality as they moved into the development section of the first movement of Op 18 No 4 was a typical example of intensity keenly felt and economically expressed.

In the great A Minor Quartet, Op 132 the yield of moments like that was inevitably magnified in proportion to the music's stature. The concentration of the anxious, questing opening movement did not drop for a moment; and in the long Adagio the pale and vibrato-less sound they cultivated was quite numbing, until the last reprise ("Con intimissimo sentimento") brought a judicious touch of portamento from the first violin.

A performance of this quartet that is truly satisfying, as this one was, should not leave an audience wanting more, but they chose to play an encore anyway. With so much Beethoven before them, perhaps any opportunity for exploring further and deeper at the *moment is irresistible*.

Big Screen comes back to the Piazza

Tomorrow's concert at Covent Garden with Placido Domingo, Thomas Allen, Eva Randova and Cheryl Studer will be transmitted live on the Big Screen in the Piazza at 8 o'clock.

The LBC radio presenter Brian Hayes will host the evening, at which the singers and conductor will come outside to acknowledge the crowd.

The Royal Opera House launched live performances on the Big Screen last summer with two performances of Puccini's *La Bohème*.

Arts Guide

July 1-7

OPERA AND BALLET

PARIS

Cologne Opera (Théâtre des Champs Elysées). La Gazza Ladra, conducted by Iwan Fischer, brings to life Rossini's mixture of comedy and pathos. The opera semi-seria is co-produced by the Paris Opera and the Théâtre des Champs Elysées (47.20.36.37).

Paris Opera (Palais Garnier). Pier Luigi's production of Norma, conducted by Maximiano Valdes. It alternates with a production of *Faust by Jorge Lavelli in which* Faust and Mephisto become two facets of a dual personality. (47.42.57.50).

NETHERLANDS

Amsterdam, Muziektheater. The National Ballet with a new production of Swan Lake by Rudi van Dantzig and Toer van Schayk. (255 455).

WEST GERMANY

Hamburg, Staatsoper. Don Pasqualle has fine interpretations by Hellen Kwon, Paolo Montarsolo, Urban Malmberg and Kurt Streit. Cav and Pag stars Placido Domingo. (351151).

Cologne, Opera. Tannhauser, with Nadine Secunde, Josef Protschka and Adelle Nicholson.

Frankfurt, Opera. Don Giovanni in a concert version with Helena Doese, Inga *Nielsen, Sonia Theodoridou* and Franz Mayer. Der Fliegende Holländer has fine interpretations by Robert Hale, Mechthild Gessendorf, Peter Meven and William *Cochran. The cast of Il Barbiere di* Sivigila includes Alice Baker, Josef Kundlak and Alessandro Corbelli. Finally, Renate Ackermann's production of Der Wildschutz features *Josefine Engelskamp, Elsie Maurer* and Jerrold van der Schaaf. (25621).

Bonn, Opera. Norma convinces thanks to Mara Zampieri, outstanding in the title role. Gian Carlo del Monaco's production of Der Liebestrank has a strong cast led by Krisztine Laki, Dalmacio Gonzales and Brian Schexnayder. Kurt Rydl repeats his *much praised performance in the* title role in Don Pasquale.

ITALY

Milan, Teatro Alla Scala. Franco Zeffirelli's production of Turandot, with Ghena Dimitrova, Fiamma Izzo D'Amico, Milena Pauli and Nicloa Martinucci. (802196).

Naples, Teatro San Carlo. The Kirov Ballet performs Swan Lake (Petipa's Choreography). (7972412).

Florence, Teatro Comunale. Maggi Musicale Fiorentino. Four works by Martha Graham, performed by her company. (2779236).

Trieste, Summer Operetta Festival at the Teatro Verdi. Il Pipestrello by Johann Strauss is produced by Vito Molinari and conducted by Rudolf Bibl, with Elena Zilio and Max Rene Cosotti. (262654).

Vicenza, Teatro Olimpico. As part of the Vicenza Festival, Bruno Moretti conducts La Calisto, a two-act musical drama by Giovanni Faustini (music by Francesco Cavalli). (Tues and Thurs). (546.111).

NEW YORK

Lincoln Center Opera House. The Paris Opera Ballet dances US premières of works by Robert Wilson (his first ballet), *Maguy Martin* and William Forsythe. The three-week season also features The Nutcracker and Rudolf Nureyev's refashioned Swan Lake. Ends July 9. (362 6000).

TOKYO

Shinjuku Bunka Centre. Groupe de recherche choreographique de l'Opéra de Paris, with *Density 21.5*; Dancepower, LA. (Thur). (850 1141).

Saleroom/Antony Thorncroft

Angel head makes record

Sotheby's had a very good sale of Old Master drawings yesterday which totalled £1.2m, and with only 7 per cent unsold. The Americans were out in force, buying all the four top lots.

A pretty drawing, the head of an angel by Giovanni Battista Piazzetta sold for £242,000, almost four times its top estimate, to a private US collector. It was a record for the artist and compares with a price of £20,000 which it sold for in 1982 at Sotheby's. The New York dealer Schickman acquired a black and coloured chalk drawing by Jacopo Bassano of Christ chasing the moneylenders from the Temple for £110,000, double its forecast.

A Canaletto pen and ink drawing of a merchant vessel went west for £72,600 and the Boston dealer Ars Libri paid £44,000 for "A falconer in a landscape," a 16th century drawing carrying the monogram MS. There were five drawings by Il Parmigianino from a private collection. The top price was the £33,000, near the bottom of its estimate, paid for a portrait of his patron Galeazzo Sanvitale.

Christie's was selling continen*tal ceramics* and achieved a good price of £85,800, donble its estimate, from the Pelham Galleries, a London dealer, for a Meissen white figure of an eagle, modelled after a Japanese Arite original by Kandler, around 1734.

It had once belonged to Augus*tus the Strong of Saxony and had* been exhibited in the Treasure Houses of Britain Exhibition in 1985 at the National Gallery of Art in Washington, which at the time was criticised for offering a shop window for potential overseas buyers. The sale totalled £590,860 with 12 per cent bought in. An Hispano Moreqsue armorial large circular dish of the late 15th century, which also appeared at Washington, made £66,000: in 1961 Sotheby's sold it for £3,200.

A Bottger Hausmalerei flared beaker and sancer by Bottengruber did well at £25,300 and a Meissen baluster tsapot and cover of around 1728, painted with a scene of orientals taking tea, sold for £23,100, as against a top estimate of £6,000.

Sotheby's has a very successful auction of motor vehicles at Sorn castle in Ayr, Scotland, over the weekend. Assembled by the late Bobbie McIntyre, a big car dealer in the area, it far exceeded expectations, making £745,439, with everything selling. A 1927 Bentley 3 litre speed model sold to a British Bentley collector for £121,000 while an oddity was the £19,800 paid for a Sherman tank in working order, which had a top estimate of £8,000. A 1967 Austin Martin DB6 doubled its top estimate, making £53,900.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Tuesday July 5 1988

The risks of inflation

WITH HIS recent remark about "teenage scribblers," the Chancellor of the Exchequer, Mr Nigel Lawson, was at his more irritating. Worse, by berating the messengers for their politically inconvenient message, he betrays the anxiety he wishes to deny. Still less can those concerns be laughed off now, when base rate has risen to a level not seen since before the stock market crash, 2½ percentage points above the level of just over a month ago.

Not only "teenage scribblers" have noticed that something is amiss. The divergences of opinion within the Government are self-evident. Also worrying has been the unreliability of the Treasury's forecasts, those mistakes being, in large part, the result of a failure to foresee the growth of consumer demand and especially the effects of credit expansion.

The danger with the growth of credit is that it can create an explosive inflationary spiral. The rise in the price of assets leaks into the market for goods and services; rising prices undermine the willingness to hold the increased liquidity that is the counterpart of the expansion of credit; and higher asset prices create the collateral for yet further borrowing. The unwelcome symptom is a reduction in the rate of saving and increased borrowing from abroad.

Demand for controls

The response to these consequences of credit liberalisation has been a demand for controls. "No freedom to borrow, please. We're British." But the liberalisation of credit is one of the most desirable features of the Thatcher years, since it allows people the freedom to time their purchases. It is the risk of an inflationary spiral, now showing itself in a rise, slow but clear, of ½ to 1 per cent in the underlying pace of wage settlements by comparison with 1987, that must be dealt with. The question is how.

A credible fixed exchange rate would impose discipline, but even then the rate at which it is set would determine the rate of inflation over a transitional period. The DM3 rate may have been too low. In any case, it was never credible, a test being the interest rate differential between bonds in D-Marks and sterling during 1987 and 1988. That gap has fallen since exchange rate management became a major feature of policy, but is still more than 3½ per cent today, implying an expected sterling depreciation of 30 per cent over the next 10 years.

Entry into the European Monetary System would have been preferable, but, without it, the policy of exchange rate stability does not appear to have been believed. In the absence of credibility, the routes through which the policy works are, first, a squeeze on those employers subject to international competition who grant excessive wage increases and, secondly, leakage of demand abroad through an expanded current account deficit. Both are slow.

Speedy action

Faster action now looks necessary. Downward pressure on inflation can be ensured by pushing the short rate of interest above the long rate; by preventing the exchange rate from depreciating; and by allowing the exchange rate to appreciate somewhat, rather than again allow short term interest rates to fall far below longer term ones. The exchange rate should not be ignored. It is rather that one must be prepared to see it at a level at which profits are subject to some pressure.

As the Chancellor himself has remarked: "The exchange rate is not so much the anti-inflationary weapon itself, which is monetary policy, but a very powerful reinforcement of the main policy. Businessmen know that if their costs get out of hand they are not going to be bailed out by a depreciating currency . . ."

For the moment the worry about the current account is permitting Mr Lawson to combine higher interest rates with a stable exchange rate. This may not last; indeed, if he succeeds in establishing an exchange rate floor, it probably will not last. Nevertheless, monetary conditions must be tightened, with a willingness to accept some appreciation of the exchange rate, at least until present pressure on the economy abates. If the Chancellor is worried about the current account deficit, too, he needs to reconsider fiscal policy. Monetary policy can only control inflation and, right now, that is precisely what it has to do.

A tragic error in the Gulf

OF COURSE President Reagan was right to describe what happened in the Gulf on Sunday as a "terrible human tragedy." Presumably he also judged it necessary for the morale of his own armed forces to refer to it as a "proper defensive action." But it is difficult to see how it can have been that and his attempt to justify it may not have been politically wise.

Not that any fair-minded person will believe Iran's charge that the US shot down a civilian airliner in cold blood, any more than the opposite charge made in some quarters that Iran would deliberately send 290 people including women and small children to their deaths. An appalling miscalculation was made on both sides.

Iran's policy, as described on Saturday by the new acting commander-in-chief of its armed forces, Hojatoleslam Ali Akbar Rafsanjani, "has been for the country to lead a normal life, keeping the war at a level whereby we push back the enemy step by step." That meant confining the war to the frontline on land, where until the last few months Iran had the initiative, while seeking to carry on normal economic activity in the Gulf.

Great tension

Not surprisingly Iraq refused to accept this and carried out attacks on Iranian shipping, as well as neutral shipping engaged in commerce with Iran. Iran retaliated by attacking the ships of Iraq's Arab friends and backers, nominally neutral. The US and other Western powers sent warships into the Gulf to protect this "neutral" shipping, which in turn has prompted Iran to attack some Western merchant ships.

All this has had the effect of making the Gulf an area of great tension, with high concentrations of naval forces and relatively frequent exchanges of fire. Yet at the same time Iran has been trying "to lead a normal life" in this area, including intensive commerce and civilian flights to and from the southern Gulf states. One can surely say, without thereby justifying what the US has done, that Iran's policy of pursuing an "à la carte" war was unrealistic and exposed civilians to too high a degree of risk.

The miscalculation on the US side is more serious because the US is a nuclear power and because it implies either that the highly sophisticated technology available to the US armed forces is much less accurate than one would imagine, or that the human beings involved are unable, when subjected to the pressure of real combat, to absorb the information the technology provides and act on it correctly. Either way the risk is unacceptable. A most searching inquiry is called for, followed by action to ensure that such a mistake can never happen again.

Inflamed passions

Politically it is obvious and understandable that Iranian passions against the US have been once again inflamed, but so far the political leadership seems to be canalising them with some skill. Predictable threats have been uttered that the US must not expect to go unpunished, but accompanied by strong hints that the punishment should come from world public opinion rather than from Iran itself. This is consistent with the line Iran has taken about the war with Iraq, frequently suggesting that it could be ended if only the international community would perform its duty of "punishing the aggressor" instead of leaving Iran to defend itself alone.

After the reverses of the last few months it must be clear to Iran's leaders that they have little hope of defeating Iraq outright. Yet equally clearly Iran could continue the war for a long time, albeit at great cost, and is likely to do so if the alternative is to accept total humiliation. Hojatoleslam Rafsanjani and others in the Government are trying hard to break Iran's international isolation, possibly with a view to achieving a diplomatic solution that can be presented as a moral victory.

The time is ripe for a renewal of the UN Secretary-General's diplomatic efforts. It might help him if the international community were to show that it shares Iran's horror and anger at what happened on Sunday and if the US were to express genuine contrition, with an offer of generous compensation to the victims' families.

Robert Graham reports on Chile, where political repression has gone hand in hand with economic success

The Pinochet recipe for growth

CHILE today presents an uncomfortably challenging instance of the old debate about economic progress and political freedom.

For almost 15 years, under the dictatorship of General Augusto Pinochet, political life has been stifled and human rights abused, making the regime an international pariah. Yet the Chilean free market is out-performing all other Latin American economies and is close to breaking through the barrier of under-development, attracting unprecedented foreign investment amid plaudits from bankers and businessmen.

Gen Pinochet is convinced he is constructing a new society, creating what his apologists call the "quiet revolution". The precondition for success, he claims, has been the disciplining hand of the military. "What you have to have first of all is order . . . an ordered society which permits jobs and prosperity," he said in a recent speech.

The idea that military control of the political process is the precondition for economic progress and the subsequent modernisation of society has been well tested in Latin America — and found wanting. The recent experience of Argentina, Brazil and Uruguay has shown that military rule emasculates political development, divides societies, fails to legitimise the rulers and in turn compromises economic progress. So why should Chile prove an exception?

The Pinochet regime answers that an efficiently managed policy of deregulation, encouraging private enterprise and stimulating non-traditional exports has sown the basis for genuine prosperity, and already sufficient Chileans have acquired a stake in the status quo to permit a stable transition towards democracy.

Obviously such an argument is unpalatable to the new democratic regimes in the region. Argentina and Brazil, struggling with fledgling democracies, can scarcely endorse the policies of a military dictatorship. More to the point, Chile has not passed the crucial hurdle faced by all authoritarian regimes: how does Gen Pinochet, now aged 73, arrange the succession and a stable transfer of power?

Later this year Chile will be holding a plebiscite on this issue. The outcome could well cause Gen Pinochet to trip at the final fence, unleashing a Pandora's box of imponderables that will breed uncertainty and undo economic achievements.

The date for the plebiscite has not been fixed; nor is it clear whether Gen Pinochet will present himself as the single candidate permitted under Chile's 1980 constitution. However, the regime is already campaigning for a continuation of "pinochetismo", deploying economic success and fear of undermining it as one of the principal propaganda weapons.

Chile was among the countries worst affected by the onset of the debt crisis because the Pinochet Government had over-borrowed abroad and was caught by high interest rates at a time when copper prices plummeted. The situation was compounded by the authorities' disastrous policy of fixing the exchange rate and allowing a free market philosophy to spawn a highly speculative financial system — which was virtually bankrupted when gross domestic product fell 14.5 per cent in 1982. From this nadir, for which the Government must take a good deal of the blame, the recovery has been remarkable.

"We can't let Pinochet get away with the financial crash of 1982 as if it were blameless," says a prominent opposition figure. "The Chicago Boys were allowed to run wild with their ideas in Chile — we shouldn't have borrowed so much, the financial system was too loosely monitored, and sticking with the exchange rate policy cost four per cent of the GDP fall in 1982 . . . But if we are honest, no Latin American country has staged such a recovery except perhaps Uruguay, which incidentally is a democracy."

The economy has enjoyed four consecutive years of growth, and inflation has been brought down to below 15 per cent. The most suggestive indicator of recovery is falling unemployment — the more telling in a country which has broken trade union power and created the most liberal hire and fire laws on the continent.

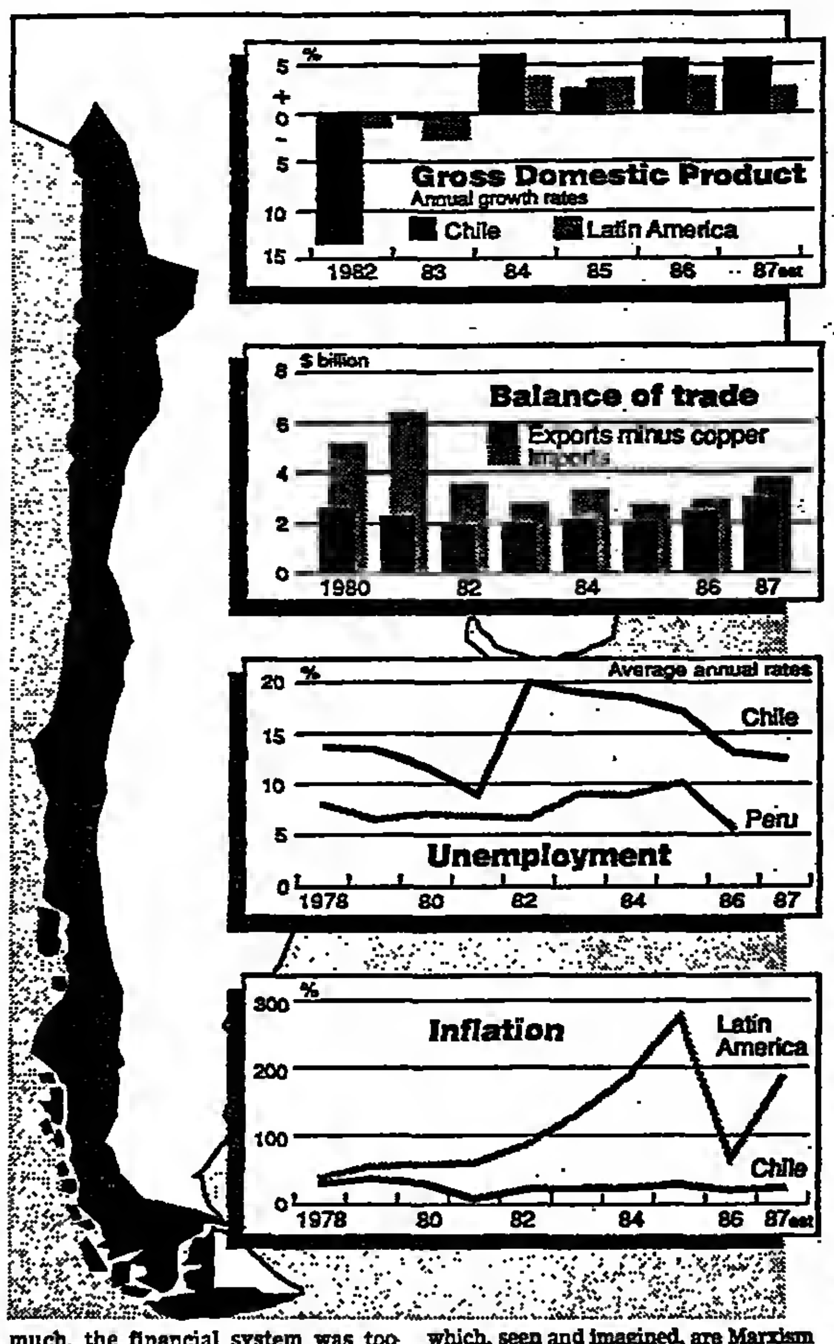
"In the worst days of 1982/3, unemployment was almost 25 per cent," says Mr Andres Fontaine, one of the leading economists at the Central Bank. "Unemployment has fallen even more rapidly than we expected. It is now down to between 8 and 9 per cent. A further 1 per cent are occupied in make work programmes but the number of persons in the latter category is being constantly reduced," he adds.

Job creation has been almost exclusively the result of private sector action. Free enterprise and privatisation have become the ideological cult words of a regime the enemies of which, seen and imagined, are Marxism and central planning. In Chile today even rubbish collection is being privatised. The health service and pensions have been handed over to the private sector to a degree beyond anything Mrs Thatcher's Government has conceived.

The Government has plans to privatise several services, from port and airport operation to water treatment and sewage. The British company, Biwater, is in an advanced stage of negotiating a water treatment construction and management contract for Santiago, World Bank finance being considered too lengthy a process.

Chile's enterprise culture has spawned a multitude of small and medium-sized export orientated companies and these have been the catalyst in reducing unemployment. In less than 15 years the number of export companies has swelled from barely 200 to 2,800, exporting items inconceivable only a decade ago: from toys, computer software and defence equipment to exotic fruits.

Salmon farming is the newest industry. Local investors and multinationals, such as Unilever, have woken up to the potential of southern Chile's fjord-like coast and salmon exports are set to jump from $40m to $400m by the mid-1990s. This will make Chile the world's largest Pacific salmon producer; and it exemplifies the rapid movement away from a one-commodity economy, centred on copper.



Large-scale investment in forestry, agriculture — especially apples, grapes and kiwi fruit — and new mining ventures has transformed Chile's external trade. Copper now accounts for little more than 40 per cent of all export earnings, down from three quarters in the past.

The copper industry itself is poised for unprecedented expansion. High in the Atacama Desert in northern Chile, the world's third largest copper mine, La Escondida, is about to be exploited. La Escondida is exclusively foreign-owned (60 per cent by Australia's BHP, 30 per cent by Britain's RTZ and 10 per cent by Japan's Mitsubishi) and its $1.1bn finance package is almost in place.

"This is the new Australia," says a visiting Australian businessman whose fellow countrymen — such as Alan Bond — have committed themselves to more than $1bn of investments in Chile in the last 18 months. The climate, geography, resource base, distance from markets and size of population invite such a comparison. (Australia has a population of 16m, compared with Chile's 13m.)

Gen Pinochet's supporters prefer to compare Chile's achievements with those of its neighbour, Peru, which has a similar resource potential. In the early 1970s Chile's exports totalled $1.3bn, only $200m more than those of Peru. Both countries ran almost identical trade deficits of $270m. Since then, Chile's exports have increased fourfold and last year produced a trade surplus of more than $1.2bn. Peruvian exports, in contrast, have little more than doubled and the trade balance remains in deficit.

Chile is up to date with its annual debt service payments of $1.8bn on foreign debt of $19bn. Since 1985, medium and long term debt has been reduced by $3.8bn through a series of imaginative conversion and swap arrangements. The authorities hope they can shortly return to voluntary borrowing. Peru, on the other hand, is restricting debt service payments to approximately 20 per cent of exports and has accumulated arrears of $6.7bn. To international bankers, the contrast is between Beauty and the Beast.

Why is the Chilean economy performing so well? Economists such as Mr Fontaine at the Central Bank say that one fundamental element distinguishes Chile from the rest of Latin America. "We began structural reforms and tackling the fiscal deficit in the mid-1970s — this was 10 years before other countries in the region." The 1975 Economic Recovery Programme initiated a drastic cut in state spending, large-scale privatisation, devaluation and a near-uniform 10 per cent import tariff.

The effects of this adjustment were brutal and mistakes were made. But the fiscal deficit is now down to 0.8 per cent of GDP. The small deficit also reflects an imaginative tax reform and good tax collection. State spending has been further cut through decentralisation and changes in managing the civil service which have attracted the surreptitious interest of other Latin American countries. In short, Chile is a tightly run ship with a high quality of administration — one which is, by Latin American standards, corruption free.

These are not the only distinguishing features. Chile has experimented first and farthest with a market economy. The Government has been quick to learn from mistakes and the results have won over a sceptical and traditionally protectionist business community. The results have also caught the eye of foreign investors, who find the lack of red tape and conscious cultivation of foreign capital a welcome departure in the region. And the huge strides in telecommunications in the past decade have broken one of the great traditional barriers to Chile's development: its geographical remoteness.

Chile's pariah status as a dictatorship has also had the unexpected effect of creating a spirit of self-help. The need to avoid dependence upon the vagaries of the copper price has stimulated the export drive. Nevertheless, improvements in the trade balance have not obviated the need for external finance to service debt. On average during the past three years, Chile has borrowed $1bn a year.

But, in the last resort, one cannot ignore the fact that an essential component of the current economic success story has been military rule. Decisions have never been subject to parliamentary debate: rather there is government by decree. The privatisation programme, such as the sale of the domestic telephone network to the Bond Corporation International, has occurred without public scrutiny. The military occupy not only senior jobs in the civilian administration, but can be found in the lower echelons, right down to the rank of major and captain. The privatisation programme, for instance, is administered by a colonel.

Military rule, through brute force and new laws, has destroyed the power of organised labour. The weakness of labour has permitted Gen Pinochet to impose a level of austerity which governments like Argentina could never sustain. At the onset of the debt crisis, for instance, Chilean unemployment was five times that of Argentina. Wages have remained low for six years in Chile and have not clawed back pre-1982 purchasing power. The various employee share owning schemes, which the Government trumpets as marking a new era bridging the divide between capital and labour, are small attempts to appease discontent with income levels.

Most of the opposition parties direct their venom against Gen Pinochet personally, rather than against his economic development policy (so long as it is seen to be working). Their criticisms are of degree — they want more emphasis on wages and social spending, closer monitoring of foreign investment, privatisation and debt conversion deals.

On a broader level, the opposition is at one in maintaining that Gen Pinochet has created a repressed stability which cannot evaporate like steam from a kettle. The overthrow of Allende in 1973, the scores of "disappeared", the cases of torture and the nagging interference of a police state in people's lives has created a legacy of bitterness which economic progress has yet to erase. Spain's transition from authoritarianism to democracy, much studied in Chile, took place against a very different background. The memory of the Spanish Civil War was almost 40 years old when Franco died, and Spain had enjoyed steady growth for 20 years.

Since so much of the opposition is highly personalised against Gen Pinochet, it is quite possible that his refusal to stand in the forthcoming plebiscite would produce a catharsis. He would then probably be remembered in the history books for the modernisation of the economy rather than for stifling the political life of what was Latin America's proudest democracy. But the general has given no hint of wanting to leave office and he is a fighter by nature.

Bush has it in his blood

■ George Bush is the 13th cousin twice removed of Queen Elizabeth II. He is also related to every other European monarch, on or off the throne. Moreover, every American to have run for President with royal blood in his veins has ended up in the White House.

That comforting news for the Bush camp comes from Burke's Peerage, whose senior genealogists have traced back his pedigree to the 1400s without a break.

The royal link starts with Mary Tudor, sister of Henry VIII, who became part of the Bush family when she married the Duke of Suffolk. Their granddaughter was Lady Jane Grey, who died at the scaffold.

The connection continues with the Stuarts. Barbara Villiers, the longstanding mistress of Charles II and mother of many of his children, was the sixth cousin of Bush's great great great great great great great-grandmother, a lady called Elizabeth Fay. It was her father-in-law, John Fay, who emigrated to America and is the direct ancestor of the Vice President.

It also turns out that Bush is related to the Earl of Lucan, the man who disappeared after the murder of his children's nanny.

Previous US Presidents with royal blood include George Washington and Thomas Jefferson (both Edward I) and Richard Nixon (Edward III). President Reagan is directly descended from the 11th century High King of Ireland, Brian Boru, though it took Burke's Peerage to establish the details after he reached the White House.

Harold Brooks-Baker, the publishing director at Burke's, said yesterday that the genealogists had decided to get in early with Bush because the royal factor has always worked for presidential candidates in the past. The company also publishes Burke's Presidential Families. Bush was informed of the findings last Friday, but has yet to comment publicly.

No work has yet been done on Michael Dukakis. Should he win, Brooks-Baker says that there will not be a great deal to get hold of. "He comes from Lesbos, and the records don't go back for much more than 200 years."

OBSERVER

Soccer summit

■ Margaret Thatcher's meeting with the football authorities tomorrow smacks a bit of Harold Wilson. "PM intervenes," the headlines would go, and then nothing much happened.

Still, one company in particular will be watching the outcome. Springmead, based in Haverhill, Suffolk claims to have developed an electronic membership system that meets the requirements of both large and small clubs wanting to exclude known trouble-making elements.

David White, the owner of Springmead, says that the Football League has known about the system, called Checkpoint, for 18 months. Over a quarter of the 92 League clubs expressed some interest in it last year after the Government recommended the introduction of limited membership schemes.

When the clubs discovered that the recommendations did not force them to have electronic systems, not a single order was taken. The company then marketing Checkpoint, also owned by White, was thus forced to cease trading.

"I've invested nearly £400,000 in Checkpoint, and I've had interminable meetings with the clubs and authorities," says White. "The trouble is that there is only interest after something like Bradford, Heysel and Dusseldorf."

New life in books

■ Kate Mortimer, formerly of Rothschild, took up her new post as chief executive at Walker Books yesterday. She is the first to hold it.

The firm is obviously expanding because Nick Hern, formerly of Methuen, also joined yesterday. Hern will be responsible for modern playwrights in a company best known for children's books.

Mortimer says that she will be learning the job from the beginning. Sebastian Walker, the chairman, is an old friend from Oxford and the approach was made only a month or so ago.

One of her best known activities so far has been her membership of the old Central Policy Review Staff — or think tank — under Sir Kenneth Berrill. Along with the now Baroness Blackstone, she was one of the "black-eyed beauties" who took part in the review of the Foreign Office which recommended a drastic toning down of ambassadorial lifestyles in 1977.

Subsequently she became the first woman on Rothschild's main board. She was seconded to the Securities Investment Board where she again worked with Berrill, and returned to Rothschild last August.

Without the "e"

■ For the first time since 1752 the Edinburgh printers and stationers, George Waterston, has a chairman from outside the Waterston family. He is Brian Turnbull, who joined the company 18 years ago and has been its managing director for four years.

Waterstons is an Edinburgh institution. Its two rather cramped shops in George Street are probably the city's leading source of office supplies and Edinburgh families turn instinctively to Waterstons for their party and wedding invitations. Its Thurston writing paper is on sale all over Britain and it is the only remaining British manufacturer of sealing wax. Nowadays the largest part of its £9m annual turnover comes from security printing and computer stationery.

Turnbull at 53 succeeds the 67-year-old Alan Waterston as chairman, but does not regard his accession as the end of the family era. "There are several Waterstons in the business" — it employs 240 people — "but you sometimes get timing gaps in a family business according to how old the family members are." The family still holds three-quarters of the shares.

Turnbull is not only from outside the family; he comes from Glasgow, where he began his career as a marketing man with the textile company that is now Coats Viyella.

Waterston should not be confused with Waterstone, the London-based bookshop chain which now has a thriving branch in George Street. Indeed a colleague in Edinburgh reports a Waterston's assistant going to considerable lengths to avoid recommending Waterstone for something that Waterston did not stock.

Reactionary balls

■ This week's New Yorker contains an ad for white tennis balls: "The classic white ball, almost impossible to find anywhere. Not yellow, not orange, but pure, crisp white, the way tennis balls ought to be." They are being sold through an antique shop.

Hazel Duffy and Alan Pike on industry's involvement in Hull

Following in Victorian footsteps

JAMES RECKITT, William Gelder, Thomas Ferens, John Sherburn, Joseph Rank. Their names live on, commemorated not only in companies which they once ran but in the names of streets, schools and public buildings in Hull.

This past generation of Hull industrialists actually paid for many of the city's streets, its first public library, the art gallery, the garden village, the infirmary and the university.

Today, Mrs Margaret Thatcher is trying to persuade business to step up the renewal of Britain's cities by taking on the mantle of their forefathers, and again show a concern for the community in ways which extend beyond simply providing employment.

The Action for Cities programme, launched by the Prime Minister in March and taken around the country in a series of working breakfasts, is aimed uncompromisingly at the private sector. Top-hatted Victorian philanthropists loomed large in the video shown to businessmen. Ministers then appealed to the invited audience to become present day city fathers.

There are signs that business is beginning to take more interest in the community. But not on a scale which compares with the benevolence of tha past.

Victorian and early 20th century *Hull*, like many British cities, suffered appalling deprivation. The standard of housing was so poor that Sir James Reckitt, a Quaker, and son of the founder of the toiletries company which is now part of Reckitt and Colman, built 600 new houses for his workers. They set a standard well ahead of their times.

Hull still has some of the meanest housing in the country.

Unemployment started to climb in the mid 1970s, with the decline of the fishing industry and the docks. The recession in manufacturing hit the city in the early 1980s. Since 1986, unemployment has fallen to 13 per cent in Hull and its surrounding areas, although it is as high as 25 per cent on some of the post war housing estates.

The city council has been solidly Labour – except for two years – since the mid 1960s. Its current leader is Pat Doyle, a history lecturer at the local college of higher education. He agrees that the council's moderate approach has helped win funds from the Conservative Government. It recently landed the largest Government urban regeneration grant (£17m) awarded so far, to clear one of the inner city docks and build houses.

Business, at least until recently, was less responsive. But Mr Doyle is reluctant to criticise the private sector. "Many of them were concerned principally with survival. That meant that in so many things, the council had to take the initiative," he says.

Mr Robin Dean, director of the council's industrial development department, acknowledges help from Reckitt and Colman and Metal Box in getting a local enterprise agency off the ground.

"But it has been a struggle to get private sector funding. Most came from the Government," says Mr Dean. Only now is the agency, chaired by Mr Graham Neilson, who runs the Aaronite group, being taken over by the private sector.

Similarly, the department set up a loan guarantee scheme where the council tops up the security for small companies and individuals. The only reason the council became involved was because the banks were not interested. But Mr Dean is pleased that some banks in Hull are now more active.

Today's business leaders do not have the same sense of local contact as their forbears

For a handful of leading Hull businessmen, the penny dropped when they joined a team from business, the church, the local authorities and trade unions earlier this year at an inner city conference sponsored by the Industrial Society in Liverpool.

The "Action 88" team, led by Mr Michael Edwards, director and general manager of British Aerospace at Brough, just outside Hull, was set up to channel the enthusiasm which came out of the Liverpool trip.

It will be the vehicle for launching the "Hull compact", perhaps the most concrete business commitment so far. Employers taking part will link with local schools; they will undertake to give priority in recruitment to young people who achieve specified academic and personal development standards.

The Government has promised £12m to get industry-education compacts off the ground. Hull was already well advanced with plans for its compact, the second in the country. It will now receive up to £100,000 a year for four years to help run it.

Tha Hull compact stemmed from another innovative link between education and industry in the city, a scheme to give head teachers a chance to work in industry for a year. Mr Barry Salt, headmaster of South Hunsley School, Hull, was one of the first to take part in the scheme, which is now in its third year. He spent his industrial year at Reckitt and Colman. While with the company he was sent to see its operations in the US, and took the opportunity to visit Boston, where the compact idea was born. On his return, he succeeded in selling the idea on Humberside.

Enough companies have been found to launch the Hull compact in September. Mr Salt admits that the task of persuading big employers to join the scheme has taken longer because there are so few head offices in Hull nowadays. Requests hava to be forwarded to London where they can face long delays and an uncertain outcome. Modern business leaders today do not have the same sense of local contact as Sir James Reckitt, who was a leading Hull employer, president of the local Liberal Association, an alderman on East Riding County Council. As a philanthropist he provided houses, Hull's first public library, a convalescent home and a wing of the Infirmary.

But Dr Bill Walsh, pharmaceuticals division operations director at Reckitt & Colman believes that industry is still seeking ways of becoming involved in the community, especially in education. In addition to his own company's support for the compact and other activities, he cites BP Chemical's provision of a physics laboratory for local schools

Reckitt & Colman's support for the compact will include £30,000 over the next three years to provide a scholarship fund for the most successful young people. That is modest compared witb the £250,000 which Thomas Ferens, a former managing director, donated to the university in 1927, equivalent to £5.6m in today's money. Bnt it flows from the same traditions.

Long-serving Reckitt & Colman staff say that during the 1960s and early 1970s the company seemed to lose some of its reputation for involvement with the local community. But they say during the last 10 years the old spirit has reappeared in big and small ways – the company has, for instance, just provided 2 acres of its sports ground to build a hospice.

Mr Andrew Milner, president of the Chamber of Commerce, runs a Hull-based fertilisers business in which he has a big financial stake. He is perhaps more typical of the old Hull industrialists than local managers of national and multinational companies who, however committed in time and money to the city, are not their own masters.

"Yon don't have to be a city councillor to have a conscience for the city," he says. This emphasises another fundamental difference between businessmen past and present. Reckitt and Ferens went to Westminster as Liberal MPs, as did others like Sir Alfred Gelder, the architect, five times mayor of Hull, and a prominent Wesleyan, who was associated with the entire replanning of the city centre. John Sherburn was mayor and sherriff of Hull. There is little evidence that today's business leaders see direct involvement in local politics as an appropriate way of helping the community.

The business community, while generous in its praise for the council's efforts to regenerate the city, is reluctant to criticise Mrs Thatcher's approach to limiting the powers of local government. Mr Chris Haskins, chairman of Northern Foods, which has its head office in Hull, is an exception:

"Companies, inclnding ourselves, are playing around at the margins in terms of money. We have this absurd centralisation in Britain which leaves local authorities, Labour and Conservative, disillusioned. In a lot of companies, there is a sense of guilt and even shame about the state of the communities in which they operate. But there have to be political solutions."

FOREIGN AFFAIRS

Edward Mortimer argues the case for freeing EC frontier controls

Passport to a Europe without barriers

IF THERE is one aspect of the European Community that has generally caught the public imagination, it is the abolition of frontiers, or at least of frontier controls.

Even in Britain this aspect of the European ideal has usually enjoyed some support. Having abolished the last interstate frontier on their island nearly 300 years ago, the British tend instinctively to regard frontier controls as a tiresome, continental invention – part of that regrettable penchant that foreigners have for regulating and interfering with eacb other's lives.

If the common market meant getting rid of that sort of thing, it was all to the good: such was the premise not only of pro-market feeling in Britain for a long time, but also of much anti-market propaganda. One of the strongest arguments of the anti-marketeers was always that the common market failed conspicuously to live up to its name. Instead of reducing the amount of official interference in ordinary life it increased it, subjecting us to obscure regulations drawn up in Brussels yet leaving frontiers just as visible, with if anything more hassle and longer queues to get across them than before.

This argument was persuasive, perhaps decisive, in getting the Community to adopt the goal of "completing" its internal market by 1992: a decision the British government loudly supports, and for which it takes some legitimate credit. Yet the nearer we get to 1992 the more it seems to be Britain that is shying away from the abolition of frontier controls.

Last month, for instance, Mr Douglas Hurd, the Home Secretary, responded to the havoc wrought by British football fans in Düsseldorf by saying he hoped in a year or two it would be tecbnically possible to control the issue of travel documents – when some of us had fondly hoped that by 1992 one would no longer need a travel document to visit Düsseldorf.

The Prime Minister, too, at last week's Hanover summit, insisted that strong frontier controls are essential to curb crime. She told a Britisb radio reporter tbey would also have to be kept to prevent people from third countries "getting in for a very short stay, moving around Europe, taking up residence – we not knowing anything abont it – and making great demands on our social services".

The EC Commission argues that EC heads of government have already committed themselves to scrap frontier controls hy the Single European Act. The Act does indeed prescribe the free circulation of persons as well as goods, services and capital, hut with the apparently anodyne qualification "according to the dispositions of the present Treaty (of Rome)". But since the Treaty of Rome deals with ecnnomic affairs and excludes security, the British government argues that the Single Act refers only to "economically active" people and cannot be invoked to prevent governments from taking necessary measures to control drug dealing, terrorism and serious crime.

Clearly, aince the Second World War, there has been such an enormous increase not only in international but in intercontinental travel that probably every single state in western Europe has had to introduce or to tighten immigration controls; and the growth of terrorism and the drug trada hava obliged all states, however democratic, to resort to controls, restrictions and special police powers which in former times would have been the exclusive panoply of the despot.

Many of these controls are exercised at frontiers: partly as a matter of convenience (if yon already have controls there for one purpose, why not use them for others?), partly because some of the people and things they are designed to guard against are likely to come from abroad. In Britain's case such frontier controls have a slightly better chance of success because of the physical difficulty of entering an island other than at recognised access points – ports and airports. It is a natural advantage the British have (or believe they have) and are understandahly reluctant to give up.

The difficulty of access applies to animals as well as people. This has resulted in one of the more bizarre Britisb national obsessions. The first impression of Britain received by many people all over the world, wben tbey visit a British consulate in searcb of a visa, is formed by an alarming poster depicting a mad dog, with the word "rabies", or its appropriate and often more dramatic-sounding translation, leaping out at the reader in outsize red capitals reminiscent of tbe publicity for a good old-fashioned Hammer Studios horror film. The smaller print below warns yon of the dire penalties that await anyone nnwise enougb to try to evade Britain's draconian regulations on quarantine for domestic animals brought into the country.

Nearly 20 years ago I did some research in Paris for an article on rabies. I remember being told by the leading Frencb specialist on the subject the exact number of polecats, pine martens and other fauna that had gone down with rabies in eastern France in tbe preceding year. It was clearly only a matter of time before the scourge reached Paris.

Has it now done so? I'm afraid I don't know. Nor, I'm willing to bet, do more than a fraction of a per cent of the readers of this newspaper, or even of its readers in France. Rabies is a terrible disease, particnlarly terrihle because it is incurable once diagnosed, hut it is not a disease that humans run any significant risk of catching on either side of the English Channel. When did a Frenchman or a German last express their anxiety to you on this subject, or their envy of British good fortune in being protected from this ever present danger by an impenetrable sea wall?

The fact is that being an island in this case, so far from making the British more secure, has enabled them to scare themselves silly about something against which other people protect themselves quite adequately witb humdrum precautions of whicb they are hardly even aware.

Of course the arguments about drugs, booligans, terrorists and illegal immigrants are more serious, but I am not sure that deep down they are any more rational. The essential point about all these problems is, precisely, that they do not respect frontiers. Indeed tbey demonstrate bow illusory, today, are the supposed advantages of being an island.

The terrorist issue, especially, shnuld remind us that while Britain is indeed an island in strictly geographical terms, the United Kingdom is not. Indeed it is really very eccentric for British ministers to take a stand on the indispensability nf frontier controls when the UK already has an open border with the European state from which it has the strongest reason to fear terrorist infiltration.

The single European market, to work properly, will have to be a single lahour market, which means it will have to be governed hy a common immigration policy. Tbere are in any case strong arguments for applying standard measures against drugs and terrorism at the external frontiers of the Community. As for football booliganism, that nbviously calls for stronger crime prevention measures botb in Britain and on the continent, but it is not at all obvious that one of those is to require people to carry different identity documents wben travelling from Britain to Germany from those they would need at home. There are already all sorts of circumstances in which the British police can ask someone to identify himself, and to introduce a uniform document for this purpose would surely now be a matter of administrative simplification rather than an inroad on the liberties of tbe subject.

All sorts of police measures can be helpful and are sometimes necessary for the control of crime, including the setting up of roadblocks and checkpoints. But no one in the United States suggests stopping everyone who crosses a state line, and no police force in the EC would suggest establishing permanent cbeckpoints at the present frontiers if they did not already exist.

When Western statesmen visit Berlin they make a point of deploring the checks and controls that divide the city as an unnecessary anachronism. Yet they separate the free world from the communist bloc. Do we really bave to put up with this same anachronism between the free member states of the European Community?

Letters to the Editor

Lloyd's charges need a review

From Mr Keith Whitten.

Sir, Your report of the annual general meeting of Lloyd's, the society of insurance underwriters in London, suggests a number of reasons for the anticipated decline in Lloyd's membership. May I suggest that the reason is simply that changes in taxation and the present level of agent's charges make membership of Lloyd's an unattractive business proposition?

The present charges have evolved over a period when capital gains could be manufactured by bond washing, and were lightly taxed while income was more heavily taxed. The "Names" (members of Lloyd's) were thought to be quite happy to bear extremely large charges against their taxable income while they could receive a fairly assured stream of capital gains on their underwriting funds each year.

Recent changes have put the taxation of both parts of Lloyd's activities on an equal footing, and as a commercial proposition members get a poor deal compared to those who manage their affairs.

For instance, in the 1985 account I have paid to my agents £8,600 by way of fixed salary and profit commission and £8,500 as my share of the cost of running the syndicates. Other expenses of underwriting amount to £9,400, leaving a net profit of about £8,000. To obtain this return I have put all my personal assets at risk.

My agents, by way of contrast, have a guaranteed flow of income to meet their running expenses, a share of the profits and limited liability.

I very mnch doubt whether new Names are put off by poor results or by lack of capacity. The last decade has seen the Sasse, Howden and PCW affairs – while numbers of members continued to grow – and there is always some capacity available for a determined new Name.

A review of agency charges is essential to redress the balance between Names and agents. If this does not happen resignations will gather speed, and the market will face a deepening crisis as the remaining members bear an even greater share of the continuing expenses.

Keith Whitten,
80 Gloucester Terrace, W2

Debate by statistics

From Mrs Joy Townsend.

Sir, Vanessa Fry (Letters, June 28) does not clear up the issue of the Institute for Fiscal Studies' (IFS) conclusions on smoking prevalence and price.

Whereas the introduction to the report states that "Many of the interesting questions about tobacco demand can only be answered by looking at the behaviour of individual consumers", it says in a later caveat that the data set used in the study lacks information "on who within the household smokes".

And yet they feel able to conclude that "Perhaps the most striking result and possibly that with the widest implications is that while price has a significant effect on how mnch smokers spend on tobacco products wa can find no evidence from the period 1970-84 that it has had any impact on who smokes and who does not; it seems safe to regard those who do not buy tobacco products as having taken a non-economic decision to ahstain from smoking."

The IFS study does not find evidence on the effect of price on who smokes – and the study had not been designed to look at or test this aspect. Lack of evidence does not constitute evidence of the opposite. There is evidence from US studies that price increases cause people to give up more than to cut down.

It has not, to my knowledge, been studied formally here, although, as I have said (Letters, June 22), the data suggest that the same may hold true for the UK. The IFS results do confirm those of many studies that cigarette consumption is inversely related to price.

I have no axe to grind in this matter other than a scientific interest. The IFS study, on the other hand, was funded by the Tobacco Advisory Council.

Joy Townsend,
Medical Research Council Epidemiology and Medical Care Unit,
Northwick Park Hospital,
Watford Road,
Harrow, Middlesex

Charter versus code of conduct

From Mr R. Garratt.

Sir, Your report of the Amed (Association for Management, Education and Development) conference (June 23) highlights Tom Peter's coruscating attack on the idea of management as a chartered profession.

A further indication of the feelings of those who will be responsible for implementing the management charter initiative came at the end of the conference. An impromptu show of hands was asked from the 380 people present. On the question of agreement with the idea of the Charter Group of companies supporting a code of conduct for management development, there was a unanimous positive response. On the question of the creation of the "chartered manager" there was a unanimous negative response.

Let us stop trying to force both issues through as thongh they were the same thing; pursue the Charter Group idea; and give ourselves plenty of time to debate and validate the contentions ideas of certification of managers and the formation of a chartered institute of management.

R Garratt,
AMED,
Premier House,
77 Oxford Street, W1

Initials are not the only confusion

From Mr Peter Sanguinetti.

Sir, As the advertisement points out, BAA is the former British Airports Authority which was privatised last year. We do not own British Airways. They are one of our valued customers.

Although Airports plc (Letters, June 23) is a very good name, it could cause confusion in view of the fact that although we own Heathrow, Gatwick, Stansted, Glasgow, Edinburgh, Prestwick and Aberdeen, there are many other airports in the UK which we do not own.

Peter Sanguinetti,
BAA plc,
130 Wilton Road, SW1

Connected to a charge

From Ms Sandra Brass.

Sir, Do your readers realise that they are being charged between 25 pence and 35 pence when they contact a car phone and are connected to tha recorded message advising that the "subscriber is not available, please try later"?

Sandra Brass,
Standard International,
18 Wells Street, W1

Current account deficit on the UK balance of payments does matter

From Professor A.P. Thirlwall.

Sir, Every time I open the Financial Times I read Mr Samuel Brittan saying that Britain's current account deficit on the balance of payments does not matter, apparently on the grounds that it is being financed voluntarily by capital inflows. The current account *deficit does* matter, for two main reasons.

First, interest rates are higher than tbey otherwise would be. This has implications for investment and the modernity of the capital stock. To say that interest rates should be fixed at whatever level is necessary to restrain demand to "ensure that the current deficit is held at whatever the capital markets are willing to finance" seems to me to be quite irresponsible. It shows complete indifference to the level of output and employment.

Second, it is certainly true, as Mr Brittan says, that there is no law which states that all countries have to grow at the same rate. There is a law, however, which says that every country will have a *growth rate* consistent with balance of payments equilibrium, and if growth exceeds that rate payments deficits will emerge.

Since the war, the UK has had the lowest growth rate consistent with balance of payments equilibrium of any major industrial country – which is why the UK has slipped from being one of the richest European countries to one of the poorest.

This may not worry Samuel Brittan, but it worries a lot of other peopla. General indifference to the structural determinants of the current account of the balance of payments, and in particular to its components, has been a major cause of the de-industrialisation of the UK, with the consequences this has had for the loss of jobs and unemployment. Not until there is concern with the determinants of the current account, and particularly the balance of trade in manufactures, is there any hope of raising the growth rate consistent with balance of payment equilibrium, and reducing unemployment.

Samuel Brittan and the present government may put their faith in market forces, but there is precious little evidence, jndging from the balance of payment figures, that the pursuit of *laissez-faire* for the last nine years has made any difference to the long run underlying growth rate of the British economy consistent with payments equilibrium.

Lumping the capital and current account of the balance of payments together, and saying there is no problem because the balance of payments must always balance, is to bury one's head in the sand as far as the functioning of the real economy is concerned.

A.P. Thirlwall,
Keynes College,
University of Kent,
Canterbury, Kent

FINANCIAL TIMES
Tuesday July 5 1988

David Gardner reports on reforms leading up to tomorrow's election

Mexico makes democracy key issue

THE SINGLE most important fact about tomorrow's presidential election in Mexico is that for the first time many Mexicans seriously believe that it is possible to get rid of the eternally ruling Institutional Revolutionary Party (PRI). The single main reason for this is Mr Cuauhtemoc Cárdenas.

When Mr Cárdenas began his drive for reform inside the PRI two years ago, almost all analysts believed he would soon be bought or frightened off by the 71-year old regime, which had used co-option and measured force to isolate seemingly more powerful dissidents in 1940, 1952 and 1969.

Few imagined that Mr Cárdenas's Democratic Current faction inside the ruling party would detonate a national mass movement against the regime's monopoly of power, corruption, economic failure, and arrogant self-reliance in the search for solutions.

Instead, his National Democratic Front (FDN) is confronting the regime with its fiercest challenge at the polls since at least 1940; possibly since the 1910-17 revolution from which the PRI emerged. Win or lose, there is now near consensus that Mexico after Cuauhtemoc Cárdenas will not be the same again. Democracy is the order of the day and all sides, to a greater or lesser extent, recognise this.

As Mr Cárdenas himself put it in an interview on Saturday night – exhausted but jubilant after closing his campaign before insurgent, mostly peasant crowds in his home state of Michoacan – "as a result of our campaign, people have thought about what is happening to them, what the causes are, and what to do about it".

Mr Cárdenas, 54, is the son of Mexico's most revered leader this century, General Lazaro Cárdenas, who as president in 1934-40 expropriated the oil industry and distributed some of the country's best farming land to the peasants, the foot-soldiers of the revolution. In Mexico's revolutionary canon President Cárdenas has the status of a saint, which the PRI in particular, the high church of the Institutional Revolution, cannot taint.

Because the son has made his career in the shadow of the general, PRI leaders both underrated him and brushed off what they saw as his attempt to unfurl the Cardenista banners as a throw-back to another era.

Cuauhtemoc Cárdenas, above and Carlos Salinas de Gortari

"I feel that people associate the name Cárdenas with what they have got out of the system and what they want to continue receiving," a senior regime leader was saying privately even last month. "It's part clamour and part nostalgia: a clamour for what we have lost and nostalgia for an epoch which all we Mexicans glorify – from inside each one of us the cry of 'Viva Cárdenas' is waiting to get out."

But Cuauhtemoc, the severe, seemingly bloodless heir, former senator and like his father, governor of Michoacan, has created a new *Cardenismo* principally through his palpable resolve, his refusal to back away from the full onslaught of the PRI/state machine, which has slandered him, harassed his followers and sought to deny him access to the many platforms it controls. This has given him his own credentials inside the PRI rank-and-file, within the fractious left and throughout wide segments of a society desperate to escape the PRI's corporatist straitjacket but, until now, without the political force to break the bindings.

"Hope has been reborn," he told an ardent crowd of around 250,000 in Mexico City 10 days ago. He is a stilted and boring speaker – nothing like the populist firebrand the PRI has painted him, adding to his popularity – yet the huge, revivalist crowds he has drawn across Mexico listen carefully to what he says.

The Cárdenas phenomenon draws its primary support from workers, peasants and bureaucrats – the three pillars, or corporatist "sectors" of the PRI – and from students and non-party organisations which have mushroomed in recent years, particularly since the 1985 earthquakes.

They are drawn above all by the promise of democracy, by the emergence of a leader – almost a traditional Latin American *caudillo* – and by Mr Cárdenas's radical nationalist critique of the economic liberalism that has characterised the government of President Miguel de la Madrid and his handpicked successor, former Planning Minister Carlos Salinas de Gortari.

This nationalism is both amorphous and trenchant, radical and conservative. Francisco Jose Paoli, one of Mexico's most acute political commentators, last week described it as "a form of prolonging traditions, a mechanism of defence based on what is known and at the same time a manifestation of fear in the face of the violent wrenches of modernity".

The Cardenistas have systematically denounced the plans of the de la Madrid/Salinas group to modernise Mexico through open trade frontiers, foreign investment, and privatisation. They see it as the sale of the nation's birthright by an Ivy League-trained technocracy perceived as outsiders, *fuerenos*, barely Mexicans. Mr Cárdenas, by contrast, is often described by supporters as "a Mexican . . . he looks like us and talks like us".

The Cárdenistas regard the Government's full payment of debt service on Mexico's $103bn foreign debt as the weapon used by the de la Madrid/Salinas team to impose these changes, creating, as Mr Cárdenas put it, "islands of prosperity in a sea of poverty".

The Government's project is compared menacingly by Cárdenas and his followers to the pre-1910 bid by French-educated technocrats, known as "scientists", to impose modernity on Mexico before the revolution swept away the Porfirio Diaz autocracy.

Mr Salinas has repeatedly charged that Mr Cárdenas has no programme. This is partially true; but it is ultimately irrelevant in an election which is about democracy. Polls indicate that only a tiny portion of those who say they will vote for Mr Salinas will do so because of his carefully elaborated programme. The majority of his support is based on inertia and corporatist power. The polls also show that Mr Cárdenas's support, though often ideologically based, is rooted in a deep-seated and wide-spread desire for democracy.

The left-wing nationalist leader's emergence has forced Mr Salinas and the PRI to adopt democratic reform. But the sheer force of the challenge has made the Salinas campaign among the most orthodox of recent times in terms of its use of traditional PRI devices such as the press-ganging of crowds.

Mr Cárdenas himself emerges from the more seigneurial tradition of Mexican corporatism established by his father: his candidacy, for instance, was proclaimed by dissident leaders of the "three sectors" of the PRI, in accordance with strict orthodoxy. Yet the popular response to his candidacy has already broken this mould wide open.

A senior member of the Salinas camp said last month: "Cuauhtemoc is going to be a good pretext for a good internal clean-out" [of the PRI].

This first of all assumes a PRI victory – an assumption which, for the first time, can be tentatively questioned – and second that Mr Cárdenas's support is not so great that it will drive Mr Salinas back into the arms of the party barons.

UK group holding talks on Soviet van design deal

By Kevin Done, Motor Industry Correspondent, in London

A UK CONSORTIUM is in advanced negotiations with the Soviet Union on a design engineering contract for the production of a light commercial vehicle for export to Western Europe.

Moscow Narodny Bank, the London-based Soviet bank which has played a leading role in arranging the financing package, had hoped to announce the deal this week but has met last-minute delays in the Soviet Union.

Under negotiation for many months, the project is understood to involve the Worthing-based International Automotive Design, the largest European automotive styling, engineering and design consultancy, which has worked for many of the world's leading automotive groups in Western Europe, the US and Japan.

The UK-led consortium would provide modifications to the design and tooling of a basic Soviet van design to make the vehicle suitable for export to Western markets.

The project is believed to involve production of a 3.5 tonnes (gross vehicle weight) panel van, which would compete at the heavy end of a West European market dominated by vehicles such as the Ford Transit, the Volkswagen Type 2 Transporter, and the products of the Fiat/Peugeot Sevel joint venture.

Although Soviet cars have made modest inroads into the bottom end of the west European market, with products such as the Lada Riva and Samara, it has lacked vehicles to penetrate the commercial vehicles sector. The Soviet industry has no modern van production facility.

The van would be produced at a plant being built at Kirovabad, about 200 miles from Baku in the republic of Azerbaijan.

It is understood to be planned for a single shift capacity of 30,000 vehicles a year. Production was originally planned to start by 1990-91, but it is now thought in the UK that first output could be delayed at least until 1991-92.

The bulk of production would be for the Soviet market but a significant share would be earmarked for West European markets as part of a compensation trading package.

As envisaged it is understood that the financing package could be worth £150m-£180m ($255m-$306m), including interest. The UK consortium would provide additional tooling, plant and equipment for the Kirovabad works, some of which could be sourced from other west European countries.

Representatives of the UK consortium visited Kirovabad last week and it is understood officials of Moscow Narodny Bank are seeking final approval for the project in Moscow.

IAD yesterday refused to comment on the project.

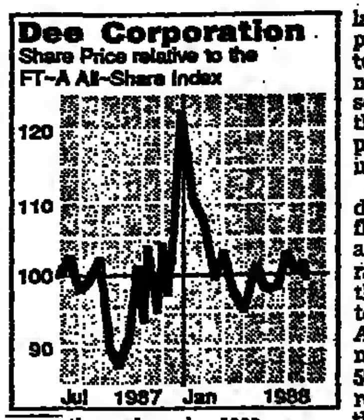
THE LEX COLUMN

Dangers of the weekly fix

The danger of feeding the market a half point rise in base rates every week is that it gets hooked. The urgency with which higher rates were demanded yesterday suggests the damage has been done; no sooner had the market received its fifth interest rate fix, it started looking towards its sixth and seventh. This time the move did not even hold the pound steady, suggesting that larger rises may be needed to do the trick.

If only the habit could be broken here, the Government might well be satisfied with its handiwork. Rates are now one point higher and sterling about 3 per cent stronger than when the currency was uncapped in March, which implies about the right degree of monetary tightening. At least, that is how the gilt market sees it: after having welcomed the first few rises in rates from 7.5 per cent on the grounds of economic necessity, gilts are not willing to tolerate any further increases.

In attempting to support sterling, the Government got no help from either the dollar or the D-Mark yesterday. The shooting of the Iranian airliner served as yet another excuse to buy dollars, whereas enviable German trade figures did the same for the D-Mark. The dollar's immediate prospects now hinge not on how jaded US traders feel after their holiday, but on the Bank of Japan. The small rise in Japanese bill rates yesterday suggests that support for the yen may shortly be to hand.



Dee/Booker

Dee's disposal of Linfood is eminently sensible in isolation, but together with yesterday's management changes shows a wider shift in strategy. The business is being stripped down to Gateway and Herman's, with the decks apparently being cleared for the appointment of a retailing supremo, and further diversification has been explicitly abandoned until Herman's is sorted out. Though all this, too, is perfectly logical, one senses the pressure of the institutions seeking a return for past loyalty.

For Booker, it looks a very neat deal. The creation of the UK's biggest cash-and-carry network will apparently lead to no dilution this year, even after the rights issue, and from the monopoly viewpoint the beauty of the deal is that it was cleared back in 1985. When the full savings have come through – by 1990, say – the strategy is that cash flow from food distribution will go into the more exciting areas of health food and agribusiness. The strategy bears an unfortunate resemblance to what food retailing was supposed to do for Dee, but with luck it should prove more manageable in scale, if nothing else.

Johnson Matthey

Though the motives behind Cookson's 6.3 per cent stake in Johnson Matthey are not yet clear, the possibilities are intriguing. A full bid – at £700m, say – would depend on Charter Consolidated being prepared to cash in its 38 per cent holding; but it could be done for debt with no dilution, or for paper with 20 per cent dilution, or anything in between. Industrially, the fit looks remarkable – materials technology, precious metals, catalysts and printing. It would also double the scale of Cookson's managed operations, and reduce its dependence on passive earnings from Tioxide. The market had no chance to react to the news yesterday, but it should be busy today.

Mortgage rates

If 1987 was the year of the banks in the UK mortgage market, 1988 is rapidly turning out to be the year of the building societies; and base rates at current levels cannot help but tip the balance further in the building societies' favour.

Not surprisingly, once a week base rate rises have steadily eroded the banks' margins on mortgage lending, as the cost of wholesale funds (based on the 3-month Libor rate) has crept up towards a static mortgage rate. Yesterday the two rates met at last; and even a one percentage point rise in mortgage rates today would leave the banks with margins of a paltry 1 per cent or so, compared with 2¼ per cent in the first half of last year and 2 per cent earlier this year when interest rates were falling.

Stuffed with cash deposits from disillusioned equity investors fleeing the effects of the crash, and hence with little need to raise wholesale funds for lending, the building societies can afford to find this situation amusing. After seeing their share of the new mortgage market fall to just 50 per cent last year, they have recovered to a 70 per cent share this year and could squeeze their bank competitors further – not to mention upstarts like the Mortgage Corporation and National Home Loans – by keeping mortgage rates artificially low now. With £18.5bn in mortgages on their books at the end of 1987, the profits of the big four banks are clearly vulnerable to such tactics – all the more so if the tedious ratcheting up of interest rates continues.

Gestetner

It is nice to see Gestetner's recent recovery continuing, but yesterday's interim figures hint at a familiar feeling of something always going wrong somewhere around the world – last year Canada and Sweden, this year the UK and US; and the US management restructuring, in particular, is reminiscent of the bad old days under family control. And although the 49 per cent rise in yesterday's pre-tax profits could point to as much as £28m for the full year, this is still £2m short of the pre-recession peak in 1977.

This is not to say that another recession would have the same devastating effect; in particular, the role of manufacturing is now greatly reduced. And although the shares slumped badly in the October crash as many of Gestetner's Australian fans pulled out, AFP's recent disposals make it if anything more committed to the company's success. At 204p, the shares are on something under 9 times this year's earnings – undoubtedly cheap, were it not for the faint echoes of past disasters.

Correction: SG Warburg's 1987/88 profits were struck after transfers to hidden reserves, not from hidden reserves as stated in Saturday's column.

BRITAIN ACCUSED OF TRYING TO LIMIT SCOPE OF INQUIRY

Gibraltar opens SAS-IRA hearings

BY PETER BRUCE IN GIBRALTAR

A GIBRALTAR coroner will decide today how to conduct an inquest into the killings of three suspected IRA terrorists by Britain's Special Air Services (SAS) in March, after accusing London yesterday of trying to limit the scope of his inquiry.

At the end of the first day of a preliminary hearing, requested by the British Ministry of Defence to design the inquest, the coroner, Mr Felix Pizzarello, also refused to inspect a closed circuit television system through which the UK wants seven SAS soldiers involved in the shootings to give evidence.

The three IRA members, Mairead Farrell, Sean Savage and Daniel McCann, were shot dead on March 6, trying to leave Gibraltar after parking what was mistakenly thought to be a car bomb in the town centre. A bomb was later found in Spain in a car they had rented.

The killings led to a fierce political row in the UK after claims that some of the three had tried to surrender before they were shot. The inquest was set yesterday to start on September 6.

After hearing depositions from lawyers for the Crown, the seven soldiers and the families of the three dead IRA members, Mr Pizzarello chided Mr John Laws, a Treasury Counsellor appearing for the Crown, saying that: "Perhaps Mr (Patrick) McGory (for the victims) goes too far but you go too short".

Earlier, Mr Laws had asked the coroner to rule that the inquest would be limited to:

● The circumstances of the deaths themselves;

● The nature of the threat the three were understood to pose and which led to the matter being put to the SAS;and

● What was in the minds of the soldiers when they shot the three.

Making little attempt to disguise London's fear that an unfettered inquest could delve deep into British intelligence gathering well ahead of the killings, Mr Laws said that in the absence of a clear ruling from the coroner the Law of Public Interest Immunity would be invoked, under which information would legally be withheld from courts.

The inquest should concern itself merely with "how, when and where" the three were shot, and a fair inquiry was perfectly possible if the court accepted that "there is no doubt that the deceased were terrorists intent on exploding the bomb in Gibraltar".

Both Mr Laws and Mr Michael Hucker, for the seven SAS men, also warned that the soldiers would not return to the colony to give evidence to the inquest without guarantees of watertight anonymity.

Either screens or a closed circuit television system could be used, said Mr Laws, but "unless this is adopted the lives of these men and their families would be in danger" from "revenge attacks" by the Provisional IRA. Mr Hacker added that "it would be difficult to see that the soldiers would appear to give evidence if these arrangements were not made".

For the families of the three, Mr McGory, a well-known Belfast solicitor, told the coroner that he would be "quite wrong" to make the kind of ruling now that the government lawyers were asking for.

"It would not require an inquest of any depth to know that (the three) died from a fusilade of bullets fired by people who are said to be members of the security forces," he said. The inquest "must include an inquiry as to whether they died by legal or illegal means." If they were killed illegally, the inquest would need to know who was implicated, he said.

Mr McGory, speaking with some passion and without the many references to legal texts used by the government lawyers, ridiculed the idea that the SAS men would be in danger of their lives if they gave evidence (unidentified by name) in person.

British soldiers in Northern Ireland frequently gave evidence at terror trials and civilians were often subpoenaed "to give evidence against terrorists who are their neighbours". He said it was important to know more about the training and experience of the SAS men involved in order to know what they were thinking at the time of the shootings.

Referring to "these utterly faceless men", he said that apart from traditional soldiers there were those who now belonged to "an army without banners, which wears no uniform, which is trained in speed, firepower and aggression – if you like, in no perjorative sense, the dogs of war – these men are trained to react instantly to situations".

Mr McGory's arguments appeared to offer Mr Pizzarello an ideal opening from which to attack the Crown's position. He told Mr Laws that he wanted the parameters of the inquests to be broad.

Mr Laws insisted this would still be possible under his three-point plan but said that "the stopping point is to go back to a point that is truly (before) the military involvement."

Despite Mr Pizzarello's rebuke to Mr Laws, and his refusal to see a demonstration of how evidence could be given on closed circuit television, his mood was difficult to read however.

Today should see him make decisions on both the reach of the inquest, the amount of anonymity to be offered to the SAS men (which they could accept or reject) and on whether Mr McGory is to be allowed to see statements made by the men to Gibraltar police plus pathological and ballistics reports, before the inquest. Mr Laws said the British Government would not oppose releasing the documents two weeks before September 6.

RUC officers must face inquiry

TWENTY OFFICERS in the Royal Ulster Constabulary are to face disciplinary proceedings arising from the Stalker-Sampson inquiry into three controversial shootings in Co Armagh, in which six men died.

Unionist politicians described the decision as "scandalous".

A chief constable from Britain will be appointed to preside over the disciplinary hearing.

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Moscow begins reforms

Continued from Page 1

essential for updating the election system in the Soviet Union to ensure unlimited nomination of candidates, inclusion of more candidates on the slates than there are seats to be filled," and fixing of five years as the standard term for deputies in the people's soviets, Tass newsagency reported.

As of the next party elections – to be held this autumn – all members of party bureaus and secretaries of party committees, including the ruling Politburo and General Secretary Mikhail Gorbachev himself, may be elected to the same office for no more than two consecutive five year terms.

That effectively gives Mr Gorbachev another 10 years to carry out his reforms.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	29	84	Malta	S	30	86	Rhodes	S	30	86
Algiers	S	29	84	Edinburgh	C	16	61	Manchester	R	13	55	Rio de Jo	F	31	87
Amsterdam	C	16	64	Faro	C	19	66	Manila	C	32	90	Rome	S	28	82
Athens	C	38	100	Florence	-	-	-	Melbourne	-	-	-	Salzburg	F	19	66
Bahrain	F	37	99	Frankfurt	F	23	73	Mexico City	C	25	77	San Francisco	C	17	63
Bangkok	F	34	93	Funchal	F	22	72	Miami	R	29	84	Seoul	C	28	82
Barcelona	S	26	79	Geneva	F	20	68	Milan	C	23	73	Singapore	R	24	75
Beirut	-	-	-	Gibraltar	F	24	75	Montreal	C	26	79	Stockholm	R	21	70
Belfast	F	17	63	Glasgow	C	19	66	Moscow	F	29	82	Strasbourg	S	23	73
Belgrade	S	32	90	Guernsey	S	16	61	Munich	C	19	66	Sydney	C	17	63
Berlin	F	25	77	Helsinki	C	24	75	Nairobi	F	20	68	Taipei	F	36	97
Biarritz	C	20	68	H Kong	F	31	88	Naples	S	31	88	Tangier	C	22	72
Bombay	-	-	-	Innsbruck	C	16	61	Nassau	R	30	87	Tel Aviv	S	30	86
Bordeaux	C	22	72	Inverness	C	15	59	New Delhi	C	38	100	Tenerife	S	26	79
Brussels	F	17	63	Islamabad	C	33	91	New York	F	31	88	Tokyo	F	26	79
Budapest	F	28	82	Istanbul	C	34	93	Nice	F	24	75	Toronto	S	18	64
B Aires	C	11	51	Jakarta	C	32	90	Nicosia	F	35	95	Tunis	S	39	102
Cairo	F	38	100	Jersey	C	17	63	Oporto	F	16	61	Valencia	S	28	82
Cape Town	C	15	59	Jo'burg	F	17	63	Oslo	F	21	70	Venice	S	27	80
Caracas	C	26	79	Lima	C	18	65	Paris	F	18	64	Vienna	S	27	81
Casablanca	F	23	73	Lisbon	C	22	72	Peking	C	25	77	Warsaw	F	21	70
Chicago	S	19	66	London	R	16	61	Prague	C	25	77	Washington	S	22	72
Cologne	F	23	73	Los Angeles	F	26	79	Reykjavik	C	16	61	Zurich	C	19	66
Copenhagen	C	20	68	Luxembourg	R	18	64								
Corfu	S	30	86	Madrid	R	16	61								
Dallas	S	23	73	Majorca	S	26	79								
Dubai	C	15	59	Malaga	S	27	81								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK bank rates rise further as £ falls

Continued from Page 1

est rates and a weakening pound to the position two months ago when a surge in sterling's value forced interest rates down. They are concerned, however, to avoid further sharp falls in sterling.

Many City economists predict further base rate increases in coming weeks. There is a widespread feeling among the economists that Mr Lawson had been timid in his response to growing inflationary pressures.

Mr Richard Jeffrey, economist at Hoare Govett, said the five, half point, base rises were "undermining confidence and left people questioning whether he is totally in touch with what is going on in the economy."

Official figures published yesterday, showing a big rise in the amount of outstanding consumer credit in May, highlighted the strength of domestic demand in the economy. Figure released last week indicated that consumer spending has been rising at more than 10 per cent a year and real personal disposable incomes by 5.5 per cent.

The rapid growth in spending, fuelled in part by credit, is behind the surge in imports which has pushed the current account of the balance of payment deeper into the red. This could be exacerbated as tax cuts announced in the British budget boost pay packets further.

Consumer credit is thought to be insensitive to small interest rate moves and high street spending is largely determined by real earnings growth. But the expected rise in mortgage rates may have a more pronounced effect on spending.

Mr Gordon Brown, the opposition Labour Party treasury spokesman, said the interest rate rise would worsen the UK's trade position

FINANCIAL TIMES
Tuesday July 5 1988

Sara Webb in Stockholm analyses the diversification philosophy of a traditionally low-profile, publicity-shy Swedish office supplies group

Esselte quickens its pace on the technology trail of the future

ESSELTE, the Swedish office supplies group, has picked two business areas on which to concentrate in future – the computer-oriented office and the home entertainment business, both of which it sees as holding great potential for profits in the next decade.

Through a series of acquisitions and expanding profit lines, it has built up two main business areas, Esselte Business Systems (EBS) and Information Systems and Media (ISM), galvanised by the belief that in future offices will become more dependent on the personal computer and the related equipment and consumables, while in the home entertainment business the growing demand for alternative entertainment on television should bode well for video and pay-TV businesses.

In essence, Esselte envisages the office worker of the future spending his day surrounded by ever-more sophisticated and essential machines before coming home to slump in front of the television to watch videos or pay-TV. This traditionally low-profile, publicity-shy company started off in the printing business. However, the Esselte empire has shifted away from its old core area, which is now part of its industry and technology division and accounts for only about 5 per cent of group turnover.

Analysts express their doubts over whether this development is happening rapidly enough, believing Esselte can afford to be more adventurous. But group management would prefer to stick to a more sedate tempo, growing at a steady rate each year.

Mr Jan Olofsson, executive vice president, says: "The change in the office environment is not very fast because it has a lot to do with human behaviour: the personal computers are for the younger generation, but we still have the older generation of pencil and ledger-users to cater for."

At the same time, he acknowledges Esselte's need to be ready to meet demand for the more advanced products, pointing to the enormous growth in the use of telefax machines both at work and outside the office. "Nowadays it is fairly common for senior employees to have their own telefax machine at home so they can receive or send messages to their colleagues outside office hours."

EBS, which is 79 per cent owned by Esselte, accounts for about 60 per cent of group sales and 80 per cent of group earnings.

It is the most international of the three business areas with operations in 23 different countries – chiefly the industrialised ones as it is not really interested in developing countries.

The main activities in EBS are:

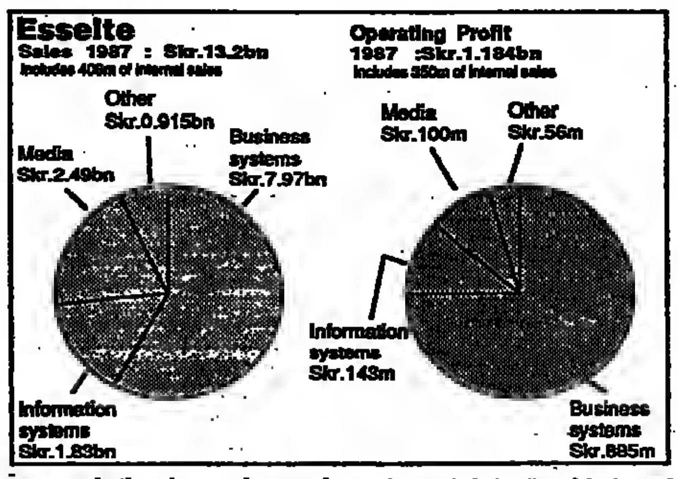
- Bensons, which produces ring-binders.
- Dymo, which manufactures office supplies, chiefly related to computers such as cassettes and ribbons.
- Pendaflex, which makes office filing equipment.
- Meto, a retail supplier which produces electronic scales, and tools and labels for hand-held price markers.
- Letraset, which makes dry transfer lettering and aids for graphics designers.

In each of these areas, Esselte has tried to develop up-to-date products. "We think EBS is a cash cow as it contains mainstream office supplies and some products of the future. There are the traditional products with large volumes but in each area we have looked for a new direction," says Mr Olofsson.

He sees the PC supplies as one of the most important areas for expansion in future because "computers use up a lot of consumables" such as ribbons, paper, and disks, and as offices become more modern, the demand for these goods will increase. The paperless office of the future does not mean an end to office supplies, in his opinion.

The graphics side too is thought to have great potential. The traditional Letraset business of rub-off lettering acquired International Typeface Corporation, a licensor of new typefaces, in order to expand its range. It has also moved into mounting and picture framing, and is developing graphic design software for computerised typography in printing and desk-top publishing.

Esselte Meto is working on more modern aspects of electronic markers and security devices for stores, and is planning to develop new labels which serve as both price markers and security devices.



Esselte's other main leg, ISM, is mainly Scandinavian in its outlook, and concentrates on trading and services with no actual production.

It imports office equipment such as telefaxes, copiers and computers for distribution in Sweden, Denmark, Norway and Finland, and represents the major manufacturers, chiefly from the Far East. It also sells equipment through its subsidiaries Kontorsutveckling, Einersen Kontor & Data (EKD), and Curt Enstroem, all of which have strong positions in Scandinavia with several sales outlets.

Mr Sven Wallgren, group chief executive officer, says that in late 1985, Esselte decided to build its chain of sales offices for office equipment into "sophisticated shops serving offices in the area" because it was determined to move from being solely an importer into direct sales.

The area with the most potential for growth is the PC business, where Esselte sees itself as importer, dealer and distributor, and where it is competing with the subsidiaries of all the main manufacturers such as IBM in the Nordic region.

"Our advantage is we are here to make money regardless of product so we can be more flexible than one single manufacturer by offering customers a fuller range of prodncts," says Mr Olofsson. Unlike the manufacturers who have to develop and test products in the market, Esselte can offer a range from different manufacturers and adjust the mix according to demand. As a dealer, it is not interested in developing the technology but in spotting the right product and moving it into the marketplace once it has become established.

At the same time, Esselte is trying to add to these products by providing an office information data base with, for example, credit analysis and market information.

So a customer who wants a list of addresses for mail shots, for example, a list of doctors earning more than a certain income in the Stockholm area, could subscribe to the data base.

"This means that we can import good office equipment from an international manufacturer, we can sell it as the dealer, and we can then provide information on the screen we're selling," says Mr Olofsson.

It is the entertainment business which has contained the most problematical venture so far for Esselte in the form of pay-TV, but despite the high start-up costs, the group sees pay-TV as having enormous potential in terms of profits, having seen what happened in the US market.

The pay-TV project, called Film-Net, is essentially 24-hour satellite-distributed motion pictures directed towards private households in Belgium, Holland, Luxembourg, Denmark, Norway and Sweden.

It is a subscriber service, but advertising could provide further revenue in future. However, so far it has been a big expense, costing SKr120m ($17.6m) in 1986 and about SKr80m last year. The pay-TV venture has held Esselte's profit growth in check and is expected to cost Esselte about SKr300m.

The group believes the venture will continue to lose money in 1988 but start to break even around the turn of the year. So far, it has 280,000 subscribers and has been growing by 10,000 per month.

"Our subscriber base is still too small," admits Mr Olofsson, but adds that "pay TV has the biggest potential, profit-wise and growth-wise." To break even, it needs about 300,000 subscribers, giving a revenue of about SKr450m.

Competition in the field has effectively been ruled out, according to Mr Kent Eriksson, an analyst at the Stockholm brokerage Häggloef & Ponsbach. Esselte has five-year exclusive contracts with most of the major motion picture producers, including MGM, Universal, Warner, 20th Century Fox, Columbia, United Artists, Paramount and Disney.

"The problem is estimating the market potential and consumer reaction," says Mr Eriksson. Film-Net has an agreement with the Swedish PTT to join the selection of companies on cable television, but so far, the number of Swedish subscribers is relatively low.

However, if the boom in videos is any indication of public appetite for alternatives to Swedish state-run television, analysts believe Film-Net has great potential.

Since the early 1980s, the video business in Sweden (in which Esselte has about a 40 per cent market share) has grown by about 25 per cent each year.

Part of the business strategy for the entertainment side is to stick to the Nordic countries which are small, well-developed with separate but similar languages (the exception being Finnish though the second language in Finland is Swedish). Esselte believes that this factor makes the Nordic market difficult for a large competitor to handle when it comes to subtitling films.

Mr Olofsson says: "These countries are big enough to be of interest to us but small enough for others to leave alone."

The group takes pride in its "dull and unexciting" image and steady growth uninterrupted by great surges – or plunges. Sales for 1987 totalled SKr12.8bn, up 14 per cent on the previous year, while profits after net interest rose by 12.4 per cent to SKr834m. Profits for 1988 are expected to show at least a 10 per cent increase.

But despite Esselte's acquisitions, analysts believe it could still adopt a more aggressive stance – and that it will need to in order to maintain its growth rate in future. One solution might be to sell off parts of the printing business, which is not very profitable and look around for more projects in the entertainment sector. "Esselte will have to stop playing safe," says Mr Eriksson.

Booker to buy Linfood unit for £90m

BY MAGGIE URRY IN LONDON

DEE CORPORATION, the UK food retailer which fought off a £1.9bn break-np takeover bid from the mnch smaller Barker and Dobson in February, is selling its Linfood cash and carry wholesale business in a series of moves seen as a response to criticism of the group.

Dee survived the bid but shareholders were unhappy with its progress and there have been rumours of another bid.

Linfood is being bought by Booker, the agribusiness, health products and food distribution group, for £90m($151m). It will be merged with Booker's cash and carry operation to form the largest UK business of its type with a combined turnover of £1.5bn.

Dee is also discussing the sale of Digsa, its Spanish food retailing business, and is closing its business development office in New York which had been looking for acquisitions in the US.

Mr Alec Monk, Dee chairman, said the changes would allow Dee to concentrate on its retailing businesses with UK food retailing its first priority.

Dee built np this activity through acquisitions and is regrouping under the Gateway name.

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Jardine fails over lawsuit

JARDINE Strategic Holdings of Hong Kong has failed in a request to dismiss a lawsuit against it over the withdrawal of its bid for 20 per cent of Bear Stearns, the US investment bank, Reuter reports from Hong Kong.

Bear Stearns is seeking $200m in damages. Legal observers said Jardine tried to end the case early by filing for summary jndgment last month, but the latest ruling means it will now need to go through a lengthy legal procedure with the plaintiffs.

Jardine withdrew its bid on October 23 in view of share price falls in the October stock market crash.

Bear Stearns demanded damages on the loss of possible revenues, resulting from the difference between Jardine's offer at $23 per share and the price of its shares at $12 each on October 23.

Cariplo deal with Santander hits snag

BY ALAN FRIEDMAN IN ROME

THE PLANNED agreement under which Cariplo, Italy's leading savings bank, is supposed to sell 30 per cent of its Istituto Bancario Italiano banking subsidiary to Banco Santander of Spain appeared increasingly uncertain last night after Cariplo's vice president attacked the deal.

Mr Carlo Polli, vice president of Cariplo, yesterday launched an unexpected broadside at the Cariplo-Santander accord, declaring in Milan that Santander's request to nominate the vice president and five division heads of Istituto Bancario Italiano was "unacceptable."

Mr Polli, a former Socialist senator who has clashed in the past with Mr Roberto Mazzotta, the former Christian Democrat politician who chairs Cariplo, made a series of comments which questioned the fundamentals of the Spanish deal.

Under the deal, Cariplo is to receive 30 per cent of Santander's Catalan subsidiary, Banco Jover, plus a stake of just below 1 per cent in Santander itself. The green light for the deal was given by the Cariplo board on May 20.

Cariplo last night songbt to distance the bank from Mr Polli's remarks, saying the matter will be discussed on Thursday at a Cariplo board meeting.

Trelleborg stalks SKF after 10% shares deal

BY SARA WEBB IN STOCKHOLM

TRELLEBORG, THE Swedish industrial group with interests in rubber, plastics, mining and chemicals, has snapped up a 10.1 per cent shareholding in SKF, the world's leading roller bearing manufacturer and one of the Wallenberg companies.

The deal represents the acquisitive Trelleborg's most daring share raid to date. It is understood to be keen to increase further its stake, with a view to shaking up SKF's dull profits performance.

Trelleborg yesterday divulged that it was the mystery buyer behind the dramatic surge in the price of SKF shares during the past two weeks.

It has bought shares – mostly A class, which carry stronger voting rights – from several different sources for a total of about SKr276m ($43.9m).

The price of A class shares has risen by about 14 per cent in the last fortnight, while the weaker B class shares registered an increase of about 17 per cent.

In a statement to the Stockholm Stock Exchange, which requires notification once a buyer has acquired more than 10 per cent in a quoted company, Trelleborg said it had bought the shares because SKF was a dominant player in the world market for bearings. The company added that it believed SKF should earn more money and prove a good investment.

However, while Trelleborg said there would be "no bid yet," it hinted that its interest in SKF was long-term.

The Wallenberg investment companies now own about 11 per cent of the share capital and 28 per cent of the votes while Skanska, the Swedish construction company, controls 25 per cent of the votes and 13 per cent of the share capital.

Mr Rune Andersson, managing director of Trelleborg, hss already been praised by Swedish business circles for his successful concept of rationalising mature businesses and turning Trelleborg into a group with profits of SKr895m on sales of SKr17.22n last year.

He put the company back on its feet by pursuing an aggressive series of acquisitions in the sector, and then set about looking for new areas for diversification.

Two years ago, Trelleborg acquired a controlling stake in Boliden, the loss-making metals, mining and chemicals group, installed new management and returned the company to profit in 1987.

It made a SKr3.5bn bid for outstanding shares in Boliden in October 1987, and Mr Andersson hss since made it clear be believes there is a handful of other Swedlsb companies in mature businesses – like the rubber business – wbich are showing stagnant profits and which have the potential for better performance.

SKF would appear to fit his criteria as a compauy in a mature business with low margins and weak profitability.

The roller bearings group has a 20 per cent market share of the world market. It made profits of SKr1.15bn, after financial items, on sales of SKr19.6bn last year and expects 1988 profits to be unchanged while sales might increase by about 5 per cent.

Its profits have been held in check by overcapacity in the world market, which has prevented SKF from increasing its prices. Its main competitors include FAG of West Germany and NSK and NTN, the Japanese groups.

Unliks the UK, Sweden does not have a mandatory bid rule, so if Trelleborg continues to buy up SKF shares it would not be obliged to make a full bid after reaching a certain level.

La Générale names key backer

BY TIM DICKSON IN BRUSSELS

A COMPANY bearing the name *of one of Europe's great sixteenth* century thinkers is set to become the leading shareholder of Société Générale de Belgique.

Erasmus Capital – formed by Belgian interests in the heat of this year's struggle between Mr *Carlo* De Benedetti, the Italian businessman, and Compagnie Financière de Suez, the French investment bank – is expected to end up with about 40 per cent of La Générale following a complex new share swap announced in Brussels yesterday.

The latest deal, however, does not in any way diminisb the prime influence of Suez, whose effective control over Belgium's most powerful holding company was confirmed last month in a dramatic shareholder truce with Mr De Benedetti.

It should be seen essentially as a reshuffling of the winning side's extensive pack, the prelude to the participation of new foreign and domestic investors, and an attempt to enhance the role of the French bank's *Belgian* allies.

Last month's agreement left the Franco-Belgian camp in La *Générale*, which also inclndes Luxembourg and Swiss interests, holding about 80 per cent after Mr De Benedetti had agreed to reduce his direct and indirect holdings to 16 per cent.

Under the new plan, Erasmus Capital, which was set up on April 1 by Groupe AG, the leading Belgian insurance concern, and three other Belgian financial groups – Imofo, Nagelmackers and Lessius – will be "the principal controlling vehicle for La Générale."

Suez, AG and other partners will put their La Générale shares into Erasmus, whose own shareholding structure has not yet been finalised but in which Suez "will not have more than 50 per cent."

Ultimate Suez control, however, would appear to be ensured by the fact that among the minority shareholders of Erasmus will be Sodecom, another company set up this year, which owns 18m of the 42m La Générale shares in issue and which itself is ultimately controlled by the French bank.

Sodecom meanwhile, will "progressively reduce its stake" in other ways and "could cede a part of its shares to international partners wishing to associate themselves with the majority bloc."

No names hsve been mentioned but this could be one means for the much touted participation of Mr Robert Maxwell, the British businessman, who is known to be in negotiations to purchase a stake in La Générale. Sodecom is also likely to make some of its shares available to *the public through a placing*, but "it will keep a particpation which, along with that of Erasmus Capital, will assure clear and lasting control over Société Générale de Belgique."

Mr Maurice Lippens, AG president who issued yesterday's announcement, claimed the new measures showed the willingness of the majority camp to end the instability of the last few months.

They also illustrated the willingness of Suez and its principal Belgian and European allies to "give the Belgian anchor the role which has come to it."

Gotthard Bank set to hold record profit

By William Dullforce in Geneva

GOTTHARD BANK (Banca del Gottardo), the Swiss concern controlled by Sumitomo Bank of Japan, said yesterday its 1988 net profit should reach last year's record SFr40m ($26.5m) in spite of increases in general and personnel costs.

The Lugano-based bank reported a 9 per cent rise in total assets to SFr5.3bn in the first half and said gross earnings had been considerably higher than budgeted, although not as high as those achieved in the first six months of 1987.

Commissions from securities' trading had been "clearly lower" but had been partially offset by increases in returns from capital investments, foreign exchange business and new-issue operations.

In March, Gotthard Bank bought a 75 per cent stake in Banque de Gestion Privée of Geneva, which specialises in asset management and turned in a net profit of SFr2m last year.

Gotthard Bank acquired last year a 45 per cent interest in Banque Pariente, another Geneva bank active in asset management, which it will take over completely in 1991.

Since the middle of June, Gotthard Bank's shares have been quoted on the Frankfurt Stock Exchange.

● The Swiss Government has called for early repayment of two federal bonds totalling SFr410m. The bonds are the 4.75 per cent 1990 and the 6.25 per cent 1990.

Fiat in radio-telephone joint venture with Matra

BY ALAN FRIEDMAN IN ROME

FIAT, THE Italian motor group, announced yesterday that it had agreed a joint venture with Matra Communication, the second largest French producer of telecommunications systems, to develop mobile radio-telephone systems.

The venture will see Telettra, Fiat's telecom subsidiary, working with Matra Communication to develop cellular mobile radio-telephone systems, including transmitting stations and related equipment.

Fiat said it could not place a value on the technical and commercial accord, but that the aim was to achieve significant sales in the European car telephone market over the next 10 years.

Matra Communication had revenues of FFr2.6bn ($424.1m) in 1987, while Telettra achieved total sales of L649bn ($481.1m).

Fiat already has a separate joint venture with the Matra group in the car components sector, in which the Italian company controls 65 per cent.

INTERNATIONAL COMPANIES AND FINANCE

The chairman of Bayer, the West German chemicals group, talks to **Peter Marsh**

Strenger aims to shoot down old notions

AS A BOY soldier in the closing days of the Second World War, Mr Hermann Strenger helped train anti-aircraft guns on Allied pilots zooming over Germany. Today as chairman of Bayer, the West German chemicals giant, he is firing with equal tenacity at some of the traditional notions in the chemicals industry.

After 35 years with the company, the yonthful-looking Mr Strenger took over as head of Bayer four years ago at the age of 55. It was the first time a marketing man rather than a chemist had risen to the top job of any of the big three German chemicals companies.

Mr Strenger has no academic qualifications and has risen to the top at Bayer – the other two German chemicals giants are BASF and Hoechst – after a series of mainly sales-oriented jobs within the company.

In an interview in his skyscraper office high above Bayer's main plant in Leverkusen, near Cologne, Mr Strenger is keen to highlight the high-tech nature of today's chemicals industry. He points out that his company's annual spending on research and development (R&D), which in 1973 was only half its outlay on factory investment, had by last year almost caught up with the latter figure. The two sums in 1987 were DM1.3bn ($714.3m) and DM1.5bn respectively.

Bayer's product portfolio has shown an increasing emphasis over the past decade on the more specialist, high-value areas of chemicals such as pharmaceuticals, crop-protection agents and new types of ultrastrong materials for industries like cars and aerospace.

The less fashionable types of "smokestack" chemicals – areas like fibres, rubber compounds, dyestuffs and polyurethanes – have shown a corresponding decline in importance, accounting for just over a fifth of Bayer's sales last year of DM37bn, compared to about one third of the figure in 1973.

Mr Andrew Tivenan, a chemicals analyst at James Capel, the London stockbroker, says that Bayer's focus on the specialist side of the chemicals industry puts it in "good shape" for the future. Such products are, many in the bnsiness believe, more immuna to sudden changes in demand due to economic downturns and have stronger long-term growth prospects than the bulk products in the industry.

The change in focus towards the research-intensive aspects of the business involves, according to Mr Strenger, a need for more interdisciplinary working at all levels of Bayer's management. He says executives and scientists must be more accustomed to switching jobs more often and liasing with other people. "In former times you had people working for themselves alone," says Mr Strenger. "Now you must be part of a team."

Hermann Strenger: described by a rival as the best public relations person Bayer has

The company has recently made a new rule that no one would become a senior manager without having lived at least three years in a foreign country and having had at least two jobs in different parts of the company. "The more jobs the better," says Mr Strenger, who has travelled extensively in his career at Bayer and speaks five languages – German, Swedish, Portugnese, English and Spanish – and can get by in French.

All this ties in with Bayer's increased overseas operations, with West German sales last year accounting for only about a fifth of total revenues, compared with a third 15 years ago. North America has been the main market in which Bayer has expanded, with the region accounting for 18 per cent of sales last year compared with 11 per cent in 1973.

Taking over at the helm of Bayer without formal qualifications "was neither an advantage or a disadvantage," says Mr Strenger. "It was traditional to have a chemist at the top; but the world changed, the challenges changed."

Onlookers such as Mr Michael Stone, an analyst at the London office of Prudential-Bache, the US finance house, see Mr Strenger's appointment as fitting in with the new marketing-focused preoccupations of the chemicals industry generally. They also believe the Bayer chairman's own open nature, which is in contrast to the marked dourness often associated with senior managers in the German chemicals business, cannot but help Bayer. "Strenger is the best public relations man Bayer has," according to an executive at Hoechst, one of Bayer's German rivals.

The admiration is shared elsewhere. A director of Imperial Chemical Industries, the biggest UK chemicals group, says of Mr Strenger: "He's a very stimulating chap."

One of the the Bayer chairman's worries concerns attitudes in Germany towards some aspects of science and technology, concerning in particular genetic engineering. This field, which involves the artificial manipulation of genetic fragments to make new molecules, is of increasing relevance to many sectors of the chemicals business, especially drugs and crop-protection.

There has been less acceptance in Germany, he believes, of the beneficial effects of the technology, and more attention given to possible side-effects like the accidental production of new organisms.

The idea of a German multinational is less entrenched than that of a US, Dutch or even British company with activities encircling the globe. But one of Mr Strenger's ambitions is, it seems, to have Bayer accepted as playing this role. He likes to talk about the linked "triangle" of the European, Japanese and American markets, with Bayer highly active in each. "To be a truly international company, you must be present in all these regions in the fullest way, in terms of market share, production and research as well."

Waitaki buys Challenge Meats

WAITAKI INTERNATIONAL, the New Zealand meat processor, is to buy Fletcher Challenge's Challenge Meats for NZ$217.5m (US$148m), writes Our Financial Staff.

Waitaki will issue to Fletcher Challenge, New Zealand's largest company, 50m new shares at NZ$1.35 each and a subordinated redeemable zero coupon debt instrument of NZ$150m.

Waitaki also is selling its Marlborough and Finegand plants to Primary Prodncers Cooperative Society for an undisclosed sum.

Waitaki and Challenge Meats will merge. The restructured company's main shareholders will be Goodman Fielder Wattie, the Australasian foods combine, and Fletcher Challenge, with 29 per cent each, and the New Zealand Meat Producers' Board's investment arm, Freesia Investments, with 14 per cent.

Waitaki also announced a loss of NZ$25.4m for the six months to April 1, against a NZ$13.8m profit for the same period a year ago.

Waitaki will close two meat processing plants, Islington at Christchurch and Burnside at Dunedin, with the loss of 1,670 jobs.

Mr Pat Goodman, Goodman Fielder Wattie's chairman, said the restructuring announced today is not directly related to the six-month result.

The issue of shares to Fletcher Challenge will require the consent of Waitaki shareholders. It is intended that three Fletcher Challenge directors join Waitaki's board.

Both the merger with Challenge Meats and the sales to Primary Prodncers Cooperative Society are subject to Commerce Commission approval.

Mr Goodman said he hopes the commission recognises the need for change in the industry and will consider the case with urgency.

Fletcher Challenge closed down 5 cents to NZ$4.42 and Goodman Fielder was unchanged at NZ$3.16. Waitaki gained 2 cents to 62 cents.

Chinese banker calls for more W European finance

BY GORDON CRAMB

A SENIOR Chinese investment banker called yesterday for a greater inflow of Western European finance to increase an involvement in mainland ventures which he said "does not seem to match their present standing in the global economy."

Mr Zhuang Shou Cang, the Hong Kong-based deputy managing director of China International Trust and Investment Corporation (Citic), the mainland's leading conduit for foreign investment, said in London that Citic had recently redefined its strategy to emphasise exports and industrial technology.

This follows a period in which many overseas joint ventures in China have been in botel and property development, leading to oversaturation in some cities. His call also comes at a time when an outflow of Peking funds is starting to extend beyond Hong Kong to North America, Australia and Europe.

Citic is a participant in the Eurotunnel financing syndicate while China Merchants Group and the Tianjin Municipal Government, two other state entities, last month announced separate investments in UK property, insurance and oil services totalling more than £40m.

Mr Zhuang was speaking at a Hong Kong and China investment conference sponsored by Sun Hung Kai Securities, the largest domestic Hong Kong stockbroking house. He described as "very satisfactory" Citic's 12.5 per cent holding in Cathay Pacific Airways acquired from the Swire group and Hongkong and Shanghai Banking Corporation at the start of 1987, its most prominent purchase abroad.

This year Guangdong Posts and Telecommunications Bureau, another Chinese organisation, acquired a smaller stake of less than 1 per cent in Hong Kong Telecommunications, the private utility which Mr Brian Pemberton, deputy chairman, told the conference was experiencing sustained growth in China call traffic. The company, a subsidiary of the UK's Cable and Wireless, was spending HK$1.5bn a year to expand and renew its systems.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Matador offers dominate subdued holiday markets

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

IN AN international bond market subdued by the US Independence Day holiday, there was something of a Spanish flavour to the new issue market.

A Pta10bn issue for the World Bank – its second so-called Matador issue – and a $200m Euroconvertible issue for Telefonica de Espana both had a positive reception.

The peseta issue, led by Bilbao Merchant Bank, carries a 10 year maturity, par pricing and a coupon of 10¾ per cent. The World Bank is allowed to pay interest gross and as a result the high coupon is likely to be attractive *to traditional retail investors*, with appetites for high coupon bonds, in the Benelux countries and West Germany.

The lead manager reported wide interest in the paper, although the expectation was that like previous Matador issues, it would be quickly locked up in portfolios and not trade widely.

Warburg Securities used a structure it has previously utilised for British companies to bring the Telfonica issue. It carries a 15-year final maturity, an indicated conpon of 4-4½ per cent, an indicated conversion premium of 13-18 per cent, and par pricing.

There is a so-called rolling put option, which allows the investors to put back the bonds to the borrower between the years 1993 to 1998. The option will be priced to yield investors between US Treasury yields and 25 basis points below that yield. According to the lead manager the rolling put provides the investor with a greater number of options, but increases the chances of conversion of the bonds.

Two new issues came to the market in D-Marks. The largest – through Deutsche Bank – was for DM400m for Eurofima, the rolling stock financing company. It carried a 10-year maturity, a 6¼ per cent coupon and a 100% issue price. It was quoted outside

INTERNATIONAL BONDS

fees, being bid at a discount of 2 percentage points to issue price. It was felt that the terms were fair but 10 years was not a sought-after maturity.

Commerzbank and Dresdner Bank were joint lead managers of a DM200m issue for Thailand, the country's first public issue in D-Marks This carried a 5¾ per cent coupon and a 100½ issue price. Late in the day, the issue was quoted at less 2½ bid to issue price.

In Swiss francs, the African Development Bank raised a SFr150m, eight-year issue through Union Bank of Switzerland, with a 5 per cent coupon and a 100¼ issue price.

The issue was well received, and was trading in the grey market at less 1⅞ bid.

Late in the day, an issue was announced for Deutsche Girozentrale International through its parent Deutsche Girozentrale-Deutsche Kommunalbank. The issue, to be launched formally today, carries a five-year maturity, a 5½ per cent coupon and an issue price expected to be set at 100¾. In the Japanese equity warrants sector, groaning somewhat under the weight of new issues and with growing uncertainty about further progress of the Tokyo stock market, there were two new issues. Nichii, the supermarket chain, brought a $100m issue through Nomura International with a four-year maturity and an indicated 3⅛ per cent coupon. It was bid just outside fees at less 2¼.

Toyo Tire and Rubber brought a $100m bank-guaranteed issue over five years with an indicated 4¼ per cent coupon and a par price, with Yamaichi International (Europe) as lead manager.

Nomura led a $50m three-year issue for Skopbank with a 101⅞ issue price with a complicated coupon setting. It pays an interest rate in dollars, calculated by taking a 17 per cent expressed in Danish crowns and converted into US dollars, and then subtracting 5.5 per cent expressed in D-Marks but converted into dollars.

A Y5bn floating rate note issue for Bergen Bank carried a five-year maturity, a margin of 10 basis points ever the Japanese *long-term prime rate and a 101½* issue price. Redemption is linked to the Nikkei stock average and Nippon Credit International was lead manager.

Mitsui Bank in US securities move

MITSUI BANK of Japan said yesterday it plans to seek permission soon from the San Francisco Federal Reserve Bank to set up a wholly-owned securities firm to underwrite and trade US government bonds issued by municipalities and other public organisations.

Mitsui said it has not decided when to submit the application, but added that preparations were underway, and that the application would be submitted "in the near future."

The bank said the two principal aims of the bank in setting up the US company were to build up the bank's expertise in underwriting and trading municipals and US bonds, and to round out the US anbsidiary's range of financial services.

Mitsui said the subsidiary was being set up to do business only in areas now permitted to banks and financial concerns owned by banks under the *Glass-Steagall* Act of 1933.

But it noted that the bank was also aware that, in case the act were amended to allow more securities-related activities for banks, there would be considerable advantage to having the widest possible experience in the underwriting and brokering of securities.

Swiss may bring foreign banks into bond cartel

By Our Financial Staff

SWITZERLAND'S big three banks are understood to have won approval from members of their bond-issuing syndicate to start talks aimed at bringing fereign banks into the Swiss cartel.

Members of the cartel that controls some 70 per cent of foreign bond issnes have authorised the big three banks – Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse – to proceed with negotiations.

It is understood that applications from individual banks have yet to be discussed.

"It will probably take between six and eight weeks befere we decide on individual applications," one banker said. "We have not talked about specific banks, but rather about general guidelines for accepting new members."

He went en to add that about 10 banks are potential members, but declined to name them.

Another banker said only West Germany, the UK, the Netherlands and France met the syndicate's requirement that the home countries of potential fereign members grant Swiss banks full reciprocity when it comes to new issue activity.

One subject that was only briefly discussed bnt that could pose a problem involves the quetas new members would get.

"A lot will depend on how *much of a quota they will get*, and this was left open," bankers said.

Part or all of the so-called "free quota," now controlled by the lead manager of an issue, may be diverted to the new members should they be allowed into the cartel.

Banks most often mentioned by market sources as potential members of the syndicate are Deutsche Bank (Suisse) SA, Commerzbank (Switzerland) and Dresdner Bank (Schweiz).

The syndicate last year allowed Deutsche Bank to lead manage an issue for its parent through the syndicate.

George Graham reports on high-tech changes for the French bourse

Paris goes for speedier settlement

THE FRENCH bourse is about to put the finishing touches its "dematerialisation" programme, aimed at transferring bearer share certificates onto a unified electronic stock register, by selling 500,000 unclaimed shares and destroying 2,400 tonnes of unneeded paper certificates.

The completion of the programme, begun in 1983, gives the French stock market a solid base from which to work towards a paperless back office, but it is only one stage. The bourse is now about to embark on an overhaul of its settlement procedures which is intended to result by the end of 1989 in a system of cash against delivery on the fifth day after each transaction.

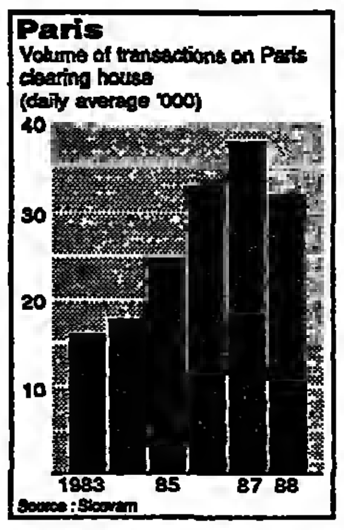
"The current system is outdated, but it still works," comments Mr Guy Suant, departmental director at Société Générale and one of the driving forces behind the new settlements project.

"There are today 23 different settlement circuits: it is complicated, it gives rise to delay and unsettled transactions, and it is costly. But Paris still does not have serious security risks, even on the old system."

The number of unsettled transactions had, nevertheless, reached worrying proportions – as many as 1m only a few months ago, since brought down to 600,000 by a concerted effort to unravel deals, with an arbitration panel for problem cases.

The problem was exacerbated because *banks' settlements staffs* faced the heavy task in 1984 and 1985 of processing the transfer of their clients share and bond portfolios from paper on to the electronic registry, at the same time as rising stock market trading volume increased their usual transaction load.

The new system is expected to settle transactions automatically within a reasonable time period, whereas today major bargains can be unwound within 2 days but smaller deals may have to wait two weeks or longer. *The seller will receive his cash payment* on the same day that he delivers his share certificate – even if that certificate is in electronic form.



"The cash against delivery system is a capital operation for Paris. Without it we turn into a second zone market," says Mr André Serre, chairman of Sicovam, the clearing honse which already handles most French stock market transactions and will be the pivot of the new system.

The project stage has just been completed, and tests will take place at the end of the year. Real time testing of the system with a few banks and brokers is expected to take place early next summer, with all dealing establishments joining the system in June and July.

Mr Suant notes that the *development of the project, requiring* 200 man years of work, coincided with the reform of the front office on the bourse, so few banks or brokers were able to put their own skilled personnel at the disposal of the working party. Arthur Andersen, the consultancy firm was therefore used.

The new system is likely to require an investment in computer systems and connections of FFr400m ($307.7m) to FFr500m, paid for largely from the stock exchange modernisation fund. The existing SIT bank payments network will be used.

Heavy investments will also be needed at the level of individual banks and brokers, however. Mr Serre complains that over 50 per cent of the transactions handled by the Sicovam still arrive on paper, considerably slowing operations.

The stockbrokers, who initially dragged their feet in the shift from paper to electronic data, are now by no means the worst offenders, Mr Serre says, noting that among the big banks only two, the Crédit Agricole and the state financial institution Caisse des Depots, have moved to almost total electronic dealings.

The Sicovam is already handling a closed cash against delivery system for the 12 primary dealers in the French government bond market. The procedure started up in November and is designed to ensure settlement on the second day after dealing, although Sicovam says its system could cope with next-day settlement.

Mr Serre believes that the new stock market system, too, will soon have to raise its targets to second-day settlement in order to keep up with world markets. *Fifth-day settlement*, the US norm, is already a big improvement, nevertheless.

Other areas of the settlement system also need improvement, Mr Serre feels, notably the payment of coupons and dividends. Foreign investors, in particular, have been unhappy with late interest payments on government bonds.

"Big institutions generally get paid on the coupon date, but there are several banks which do not pay out to all their clients on the same day. Issuers should have good service as one of their top concerns, and good service means coupon payment on the right day," he says.

A regulated system of stock borrowing and lending, still under study, will also be needed to ensure that the fifth-day settlement system can function without default. Mr Serre is very critical of some of the informal stock borrowing arrangements that now take place, usually without remunerating the client whose stock is borrowed without his knowledge.

The new cash against delivery system is not the end of Mr Serre's ambitiens for the development of Paris's back offices.

"There are two things missing: continuous settlement, and multi-currency payment. I believe we must go on to achieve settlement in ether major currencies," he says.

Finland to limit foreign ownership in insurance

BY OUR FINANCIAL STAFF

THE FINNISH Government plans changes in the law to limit foreign ownership of Finnish insurance companies.

The Ministry of Social Affairs and Health said it proposed to reduce the maximum foreign *shareholding from 100* per cent to 40 per cent, though foreign insurance companies could be granted special permission for a stake of mere than 40 per cent.

The new limits, if passed, would not apply to existing shareholdings. However, foreign companies would be allewed, with government approval, to establish insurance companies in Finland. At present only Finnish individuals or corporations may set np insurance companies in Finland.

The move would bring insurance companies closer into line with ether Finnish companies where foreign shareholding is limited to 20 per cent or, with special permission, 40 per cent.

The new propesals could become law by the end of the year.

Hitachi Metals earnings soar despite static sales

BY OUR FINANCIAL STAFF

HITACHI METALS, a leading Japanese manufacturer of magnetic materials and other special steel prednets, yesterday reported a 203.2 per cent year-to-year rise in consolidated net earnings.

Net earnings rose to Y7.134bn ($53.2m) er Y20.96 a share in the fiscal year ended March 31. This compared with Y2.353bn or Y6.95 a share for the previeus year.

Pre-tax profits increased by 85.3 per cent to Y10.711bn, from Y5.780bn.

The improved profits performance was achieved despite relatively static sales which, at Y313.29bn, showed only a 3 per cent increase from Y304.03bn in the previous year.

Hitachi Metals officials attributed the increases in net and pre-tax profits to lower interest payments, reduced non-operating costs and larger extraordinary income.

The company expects that consolidated net earnings for the current year will rise to Y9bn, pre-tax profits to Y16bn and sales to Y333bn.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	95¼	95¾	–0⅝	+0½	8.98
All Nippon Air 9⅞ 97	100	96⅞	96⅞	0	+0⅝	9.91
American Brands 8⅞ 92	150	99¼	99¾	0	+0¼	9.02
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅝ 92	55	100⅞	101	–0¼	–0¼	5.14
Belgium 4⅞ 94	45	95½	95⅞	–0¼	–0½	5.51
Canada 4⅞ 92	80	97⅜	97⅞	–0¼	–0⅞	5.08
[illegible]						

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday July 4 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]														

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate. Some data supplied by Bank of America. Monday July 4 1988

UK COMPANY NEWS

Higher margins lift Gestetner 50% to £12.65m

BY CLARE PEARSON

Gestetner Holdings, office equipment group, yesterday reported a near-50 per cent increase to £12.65m in pre-tax profits for the six months to April 30.

At the trading level, margins increased from 5.1 per cent to 6.8 per cent reflecting further efficiency and cost-cutting measures carried out under the management of AFP Investment Corporation, the Australian controlling shareholder.

Earnings per share, on a fully diluted basis, were 48 per cent higher at 12p (8.1p) after a lower 26 per cent tax charge. The interim dividend is doubled to 1p.

Turnover fell slightly to £201.5m (£215.6m) following the disposal of a sales subsidiary in Japan and of J A Weir, a Scottish papermill. These sales also gave rise to an extraordinary credit of £350,000, as opposed to a £9.5m reorganisation debit last time.

The interest charge fell to £1.15m (£2.5m). After receiving £7m from the sale in May of a factory in Tottenham, north London, Gestetner is now almost ungeared, and expects to be cash positive by the year-end.

Impact Systems, Australian laser printer company with which Gestetner formed a joint venture last year, but which went into receivership in April, will become part of Gestetner once expected clearance from the Australian authorities has been obtained.

As an interim measure, AFP has acquired its assets from the receiver and the aim is for Gestetner to buy them at cost, for A$6m (£2.78m).

Gestetner has begun marketing laser printers in the UK, and plans to start selling them in continental Europe by 1989, as part of plans to reduce reliance on mature markets for its own manufactured products, stencil and offset duplicators.

Of the third of turnover arising from equipment sales, rather than servicing and supply, 71 per cent was now sourced from goods manufactured by other companies, against 62 per cent two years ago. The bulk of these were photocopiers, but facsimile machines also made a small contribution.

EC countries accounted for more than half of operating profits of £13.8m (£11m), with Africa, Asia and Australasia forming the next biggest component. The proportion attributable to the UK fell from 3 per cent to 1.4 per cent.

Both in the UK and the US, the company experienced difficulties in adapting existing sales forces to new products. In both countries, management restructurings were currently in progress.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
AB Engineering ....fin	0.03	-	nil	0.03	nil
ABS § ....fin	1.1	-	nil	1.7	nil
Brown & Tawse ....fin	5.6	Aug 8	5	8	7.2
Brunner Inv Tst ....int	1.4	-	1.25	-	2.75
Fletcher King ....fin	4.75	Oct 3	3	7.25	4.5
Gestetner ....int	1	-	0.5	-	2.5
Plantation Trust ....fin	0.25	-	0.25	0.25	0.25
Reed Executive ....fin	1.5	Oct 10	0.8*	2	1.2*
Robertson Group ....fin	2.4	Sept 9	2	3.3†	2.8
Textured Jersey ....fin	4.5	-	3.75	7	6
Vinten ....fin	2.75	Oct 3	2.25	4	3.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

Lucas buys US defence equipment maker

By Richard Tomkins, Midlands Correspondent

Lucas Industries, aerospace and automotive components group, yesterday continued its hectic spree of acquisitions and disposals with a $23m (£13.6m) agreed offer for Epsco, a US-based defence electronics manufacturer.

It has made a cash offer of $14 a share for the company in a deal which has been accepted by Epsco's management. Institutional shareholders, however, have not yet undertaken to accept the offer, so it could smoke out a higher bid.

Epsco's speciality is microwave communications equipment for use in applications such as defence equipment, radar, and testing and measurement. It employs 350 people at three factories in Massachusetts, California, and Ontario in Canada.

Lucas said the company was profitable and would have sales of about $30m (£17.75m) in 1988. The proposed acquisition was in line with the group's strategy of strengthening its presence in the defence equipment sector and would complement its Weinschell Engineering and AUL Instruments businesses.

If the deal is completed it will be Lucas's ninth major transaction this year. Four acquisitions and four disposals have marked the group's continued withdrawal from mature, low margin businesses in favour of expansion into areas where it has a technological edge.

Companies acquired are Lear Siegler Power Equipment, Grason-Stadler and Datametrics of the US and Elektro-Ban-Elemente of West Germany.

Atlantic Computers

Atlantic Computers has bought 77 per cent of Integrated Computer Systems, Danish subsidiary of the Swedish ICS Group for SKr 9.08m (£850,000). The balance, held by the management, will be acquired no later than August 1 1991 for DKr 2.4m (£205,000) cash and 76,212 Atlantic shares or the cash equivalent at Atlantic's option.

Maggie Urry on Booker's £90m purchase of Linfood from Dee

Aiming for the top of the cash and carry tree

"IN A SENSE we've been negotiating this deal since 1984," says Mr Jonathan Taylor, chief executive of Booker, which yesterday announced its agreed acquisition of the Linfood cash and carry business from Dee Corporation for £90m. It was in 1984 that Dee launched a £322m bid for Booker, a bid which was referred to the Monopolies and Mergers Commission.

Mr Taylor maintains that the proposed merger of Booker and Dee's cash and carry operations was "the only real bit of logical synergy anyone could see between the two businesses".

In January 1985 the Commission cleared the bid and Booker successfully saw off a renewed attack from Dee. However, since then, Mr Taylor says, Dee has always known it would find a willing buyer for Linfood in Booker. Serious negotiations started again on June 9 this year.

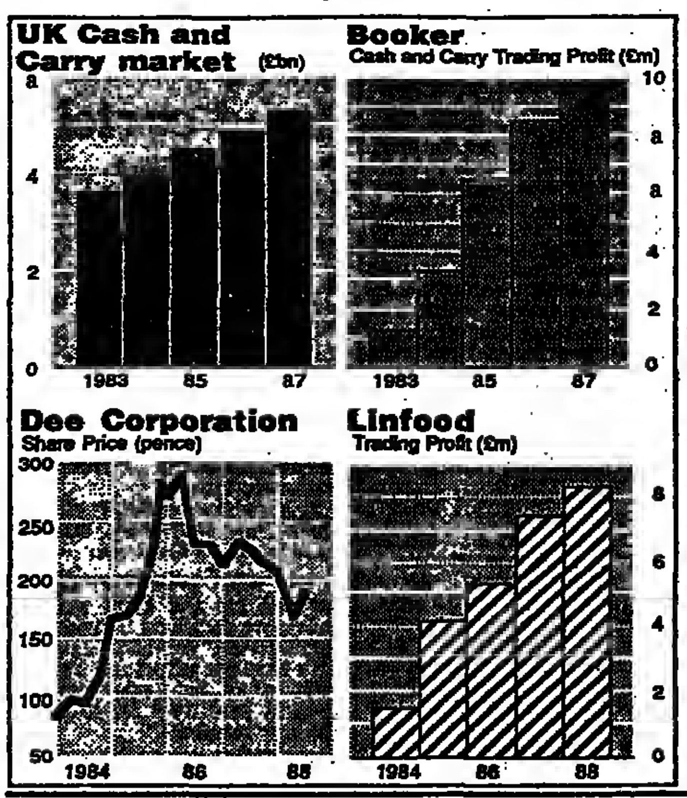
The Commission found that in 1983 Linfood had an 11 per cent market share against Booker's 10 per cent - those shares have risen to 14 and 12 per cent today. Until now Nurdin & Peacock has been the market leader with a 16 per cent share.

It is these figures which give Mr Barry Skipper, chief executive of Booker's food distribution activities - which includes delivered wholesaling - confidence that yesterday's deal will not be referred.

Booker shareholders also have to approve the purchase which will involve a £124.6m two-for-seven rights issue and a substantial goodwill write-off.

They too should be ready to approve the deal. According to Mr Julian Lakin, food manufacturing analyst at broker Citicorp Scrimgeour Vickers, "the deal does make a lot of sense strategically".

Booker is confident that the acquisition will cause no dilution in the first year, and increasing benefits thereafter.



Jonathan Taylor: negotiating the deal since 1984

Alec Monk: emphasising steady evolution

Mr David Turner, Booker's finance director, says that, although it is paying an historic exit multiple of 16, that figure will halve in 1989, the first full year of ownership.

Booker argues that the combined business, with a turnover of £1.5bn, will have greater buying power with the food manufacturers and therefore enable Booker to offer a better deal to its customers, mostly independent retailers and caterers.

There will also be savings in the merging of the two businesses, including the closure of some of the 209 depots Dee and Booker have between them.

Booker's cash and carry trading margin at 1.6 per cent in 1987 is substantially higher than Linfood's 1 per cent. While Mr Skipper believes that Linfood's margin can be raised, it may not reach the Booker level since Linfood has a higher proportion of lower-margin business, such as cigarettes and a greater proportion of sales to retailers rather than caterers.

Cash and carry is not a mature business, Mr Taylor argues. In recent years the market has been growing at a compound annual rate of 9.5 per cent reflecting the growing trend to eating outside the home. This has benefited the caterers and contributed to the greater strength of convenience stores.

It is a cash generative business though, and Mr Turner estimates that this deal alone will add £20m a year to Booker's net cashflow once the integration has been completed in 1990.

Booker wants that cashflow, as well as the surplus £34.6m from the rights issue, to continue its investment and acquisition programme. So far this year £24m cash has been spent on three small purchases. By the year-end gearing is expected to reach 20 per cent.

While Booker is adding to all its main businesses in what is still a diverse company, its agribusiness will remain the dominant activity. In 1987 agribusiness, which includes poultry and seed breeding, mushroom growing, forestry and farm management, fish farming and agricultural equipment, contributed 55 per cent of pre-tax profits. Food distribution made 19 per cent.

The way Dee is angling for City approval

IF ANYONE was in doubt about institutional feelings towards Dee Corporation, the outcome of Barker & Dobson's £1.9bn bid for the company last February should have made the message clear, writes Nikki Tait.

B&D secured almost 25 per cent of the shares in a bid which was highly leveraged, which offered a modest exit multiple, and where cash accounted for only part of the terms. This was scarcely the sort of deal which UK institutions normally embrace.

That they hold the key to Dee's fate is unquestionable: private individuals account for only 10 per cent of the shares, and Associated British Foods, the largest shareholder with 15 per cent, was effectively debarred from voting its stake then, although this has now changed.

Since the bid, stories about continuing institutional disgruntlement have circulated widely. So does yesterday's announcement indicate that pressure on the company from its larger shareholders is starting to produce a revitalised strategy?

Mr Alec Monk, chairman and chief executive, prefers to emphasise steady evolution, describing the decision to sell off the Linfood wholesaling business as "all part of the same progression".

Although he concedes that a marriage of the two cash and carry businesses was one major factor behind Dee's bid for Booker back in 1984, he points to Dee's subsequent commitment to food retailing through the purchases of the International and Fine Fare supermarket chains. And he emphasises that Linfood's sale was under active discussion ahead of the stockmarket crash and the B&D bid.

Instead, he describes the latest disposal as "a redeployment of resources", with the proceeds going to "strengthen the core business". And the smaller planned disposal of Digsa, Dee's Spanish subsidiary, is explained in a similar light. Although Digsa has more than 100 retail stores based in Zaragoza and Madrid, it also has some 10 cash and carry branches and a delivered trade business servicing franchised shops and independents in the Aragon, Catalonia and Madrid regions.

With any potential conflict between its own retail side and its cash and carry customers now eradicated, Dee will pin its colours firmly to the UK supermarket mast, becoming Gateway Corporation.

But whether these latest changes really dig at the heart of Dee's problems appeared to be a matter of some scepticism among analysts yesterday. "It's largely a matter of helping shareholder sentiment, of being seen to do things," suggested one yesterday. "It's hard to believe that these businesses represented much of an actual management distraction."

Certainly, in terms of the figurework, the effect is expected to be broadly neutral: the interest saving, as Dee pays down something over one-third of its debt, will roughly offset the earnings loss. That said, if the Gateway notion finally pays off, the quality of earnings - food retailing instead of cash and carry - should theoretically improve.

What the disposals do not tackle are the disappointing performance of Hermans, the American sports good retailer, which Mr Monk himself describes as the "prime problem". Yesterday, he suggested that full recovery on this front could be two years away. Nor does it really impact on the integration programme for the UK stores under the Gateway fascia - although that is largely a matter of time - and the chain's subsequent perception among high-street shoppers.

How much time the company has to get these areas sorted out is a moot point. Yesterday, Mr Monk was playing down one rumoured solution - that fresh top-level management would be brought in. "Good people do not grow on trees. We're keeping our eyes open, but it may be a year or two."

In the meantime, there is the uncomfortable fact that theABF holding is now "loose" (having been written down to the 170p level in the balance sheet). This is already the source of speculative flurries in the shares. "We're not long-term holders," commented the company yesterday, "but we're happy to hold until things improve."

In short, if the easier step has now been taken, all the real tests have yet to come.

ISSUE NEWS — BY PHILIP COGGAN

Acquisitive Paisley Hyer to seek market listing

Paisley Hyer, clothing manufacturer and Marks and Spencer supplier, is planning to join the stock market via a placing within the next few months.

The company announced the news along with the acquisition of David Slade, a jewellery manufacturer which supplies more than 60 per cent of its turnover to the Ratners retail group.

Paisley Hyer was founded in 1913 but its recent history effectively dates from a capital restructuring in March 1987.

The group now consist of three businesses. The original Paisley Hyer makes ladies and children's outerwear, supplying around 67 per cent of its turnover to M and S. There is also a knitwear division, which consists of two recent acquisitions, George H Taylor (Leicester) and Lucien Knitwear. The third division is the Slade jewellery business which was acquired for around £3m cash plus 170,000 shares.

Partly to finance the deal, Paisley Hyer has raised £6m from a group of institutional investors, including Prudential Venture Managers and Charterhouse Development.

After making losses in both 1985 and 1986, Paisley Hyer made pre-tax profits of £1.25m on turnover of £22.25m last year, and the directors are forecasting pre-tax profits of £4.2m, including a contribution from Slade, this year.

USM placing puts £4.6m tag on glass and ovenware group

Heritage, glass and ovenware distributor, is joining the USM in a placing which values the group at £4.6m.

The company, which was founded in 1980 by Mr Jeffrey Lampert, sources its products in Europe and sells to large UK multiple retailers. Around 30 per cent of its products are sold under the "Heritage" brand name.

Pre-tax profits were depressed in 1984-85 and 1985-86 because of a promotional campaign by petrol retailers which involved the distribution of free drinking glasses. But since then pre-tax profits have risen from £220,000 in the year to April 30 1986 to £511,000 last year whilst turnover has grown from £6.08m to £8.16m over the same period.

Lloyds Merchant Bank is placing 830,000 shares, 17.2 per cent of the equity, at 95p each putting the shares on a historic p/e of just under 12. The notional gross dividend yield at the placing price is 3.9 per cent.

UK COMPANY NEWS

Suter sells transport hire subsidiary in £32m deal

BY RAY BASHFORD

Suter, industrial holding company, has sold Mitchell Cotts Transport Services for £32m as part of a plan to reduce borrowings.

Transfleet Services, a truck contract hire and rental group jointly owned by Lex Service and Lombard North Central, is paying £16.5m cash and will also assume the external borowings of MCTS.

The sale was foreshadowed at the Suter annual meeting in May when Mr David Abell, chairman, said he hoped to raise more than £40m through the sale of a number of businesses.

Mr Abell said these sales would cut borrowings to less than £40m by the end of last month. He also forecast that net assets at the same date would be £90m, compared with £55m at the end of last year.

Snter earlier this year also revalued 16 of its most substantial properties which showed a surplus of £15m over book values.

MCTS was acquired in June last year for £77m when Suter won a battle for control of Mitchell Cotts against the initial opposition of the engineering and chemicals group's board.

The disposal is by far the largest of several sales of Mitchell Cotts assets which Suter has made. The previous sales were of marginal or loss-making businesses, including operations in South Africa and Australia.

MCTS returned a pre-tax profit of £3m in the 18 months to December and tha company's net assets, including the property which is part of the disposal, were valued at £3m on July 1 when the terms of the sale were finalised.

The acquisition will add 2,000 vehicles to the fleet under Transfleet's control and increase its total to 4,700. Mr Terry Robinson, managing director of Transfleet said the purchase would broaden the company's geographical spread and help achieve the aim of trebling its fleet within five years.

Transfleet's joint owner, Lex Service distributes Leyland Daf, Iveco, Ford and Volvo trucks from 11 locations in the UK.

Vinten grows by 22% to £3.8m

BY VANESSA HOULDER

Vinten Group, avionics, broadcast equipment, electro-optical components and instrumentation group, yesterday announced a 22 per cent rise in pre-tax profits to £3.8m. Turnover increased from £30.1m to £32.2m.

The results were marked by strong performances by the core military and broadcasting divisions tempered by losses in the electro-optics and technology divisions.

Mr Ron Marler, chairman, said that overall be was very encouraged by the year and the directors were confident of further progress this year. Action had been taken on the unexpectedly severe problems at Exotic, US electro-optics company, which was now back on course, he said.

The military division, which is mainly concerned with retrofitting and npgrading airborne systems, increased profits by 47 per cent to £2m on virtually static turnover of £8.1m. The improvement in margins was caused by productiou changes and a different sales mix, said Mr Marler.

The broadcast division more than donbled profits to £3.2m (£1.6m) on turnover up from £8.2m to £12.3m. Sales increased in both its lightweight range of tripods and heads and its traditional products.

The electro-optics division reported a £352,000 loss against profits of £920,000 last year on turnover of £6.3m (£8m). The UK company improved profits but a prodnction problem at Exotic took longer to resolve and was more costly than expected. Following management changes and a review of production practices, Exotic has returned to profits.

The technology division reported a loss of £113,000 (profit of £76,000) on turnover of £5.5m (£5.8m). The deficit stemmed from Trivector after slow progress in the development of marketable products. Two approaches to buy the company were aborted during the year, after which the managing director resigned. The future of the company is being reviewed this week.

After heavy investment, Vinten Instruments finished the year with a small profit.

Interest payable amounted to £410,000 (£374,000), while earnings per share increased from 10.7p to 11.5p. A recommended final dividend of 2.75p makes a total of 4p (3.3p) for the year.

● comment

Although these profits were not greatly ahead of expectations, an upbeat presentation prompted analysts to raise their forecasts for the present year to at least £5m. The chief excitement stems from the sparkling performance from the broadcasting division, which thanks to the deregulation of European broadcasting and a boom in corporate video making looks set to continue its dramatic rise. Meanwhile the military side, now fully recovered from its mishaps a few years back, should stage reliable if unspectacular growth. An extra fillip should be gained from the Exotic turnround, which could return the electro-optics division's profits to their previous level. The main question mark hovers over the management's ability — by sale or otherwise — to staunch the losses of the Trivector business. That — and a faint impression that the company is accident prone — puts the shares, up 10p to 160p, on an otherwise inexpensive rating of 11.

Cookson has 6.3% of Johnson Matthey

By Clare Pearson

Cookson, acquisitive specialist metals and chemicals manufacturer, has bought a 6.3 per cent stake in Johnson Matthey, precious metals group, it emerged yesterday.

Cookson said it had bought the 10.93m shares as a "strategic investment". Executives were unavailable to comment on the stake-building last night.

Johnson Matthey's shares closed 2p higher at 301p, valuing the company at about £512m. Cookson's shares closed 2p lower at 272p to give a market capitalisation of £981m.

Cookson, which derives almost half of its profits from the titanium dioxide joint venture with ICI, also has substantial interests in the soldering and distribution of precious metals.

Johnson Matthey's main business is the refining and marketing of platinum. Its main shareholder, Charter Consolidated, mining and investment group, holds 38 per cent of the equity.

Mr Gordnn Thnrburn, administrative director, said Johnson Matthey was "studying Cookson's statement and considering what action it should take".

Cookson said it had bought its holding at prices up to 315p, at an overall cost of £32.2m — more than 5 per cent of its net assets.

See Lex

Beazer confirms Koppers sale

By Philip Coggan

Beazer, construction and building materials group, yesterday confirmed the sale of the chemicals business of Koppers to an investment group for $660m in cash.

The investment group is led by members of the chemicals company's management and by the Sterling Group, US chemicals buyout specialist.

Beazer had stated that it would sell the Koppers' chemicals business even before it secured the acquisition of the US group last month. Beazer will retain the aggregates business of Koppers.

The cash element of the deal will be used to pay part of the syndicated bank facility, organised by Citibank, as backing for the deal. After the merger, BNS, US vehicle for the Kopppers bid, will have $288m in ordinary and prefered equity and $726m in debt.

BOC completes

BOC Group has completed the sale for $70m of its carbon electrode plant at Ridgeville, South Carolina, to Showa Denko KK of Japan. Contract negotiations are proceeding for the sale to a leverage buyout consortium of the balance of BOC's carbon assets and its US calcium carbide business.

All-round growth boosts Fletcher King

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Fletcher King, chartered surveyor, which took a full listing in November 1986, yesterday announced a 62 per cent increase in annual pre-tax profits and a rise in the dividend to match.

The market responded by lifting the shares 5p to 220p. Fletcher King follows Debenham Tewson & Chinnocks, in announcing a sharp rise in profits.

Pre-tax profits for the year to April 30 were £2.06m, compared with a pro-forma £1.27m in 1986-87. Earnings per share were 16.4p against 12.6p.

The directors have proposed a final dividend of 4.75p, bringing total payments for the year to 7.25p compared with 4.5p.

The strength of the property market helped turnover to rise in all sections of the business, although Mr David Fletcher, chairman, said that the biggest increase had taken place on the agency side. At the same time Fletcher King has been able to attract more business following the acquisition of Peter Hunter, a specialist in retail property.

Fletcher King has recently acquired Ernest Howard, project management and quantity surveying practice.

Carroll purchase

Carroll Industries has acquired New York based direct mail catalogue company, Bedford Fair Industries, for an initial $6.5m (I£4.4m), with a further $6.5m dependent on Bedford Fair's earnings for 1988, 1989 and 1990.

Norman Hay in £3.29m purchase

Norman Hay, Middlesex-based electroplating and anodising company, is acquiring Fothergill Engineering Surfaces from Fothergill & Harvey, a Courtaulds subsidiary, for £3.29m. Inclnded in the purchase price are two freehold properties, occupied by FES, in Coventry and Leeds.

The deal will be satisfied by the issue of 3m new shares at a price of 114p.

In the year to end-March, FES made an operating profit of £516,000 on sales of £4.17m.

Propeller

Propeller, designer and distributor of men's casual wear, is acquiring the Michael Ross Group, designer knitwear maker, in a £1m deal - half cash and half shares.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Granada, Johnson Fry.

Finals- CH Industries, Equity Consort Inv Trust, Lovell, Newman Tonks, Nobo, Pepe, Scottish and Newcastle Breweries, Tex, Total Systems, Vosper Thornycroft, Westpac.

FUTURE DATES

Interims-	
AMI Healthcare	July 12
Berkeley Govett	July 11
Microgen	July 12
Finals-	
AHH	July 14
Creighton Laboratories	July 11
Davy Corp	July 12
Israel (Jack L)	July 19
Monks & Crane	July 6
Morris Ashby	July 12
Sandell Perkins	July 11
Sekers International	July 11
Stockdale	July 11

Reed Executive profits advance 62% to £10.5m

BY VANESSA HOULDER

Reed Executive, employment agency group, announced a 62 per cent increase in pre-tax profit from £6.5m to £10.5m for the year to March 26. Turnover increased by 50 per cent to £95.6m, against £63.6m.

Earnings per share increased by 66 per cent to 12.6p (7.6p). A final dividend of 1.5p a share has been recommended, making a total of 2p per share for the year, an increase of 67 per cent.

Mr Alec Reed, chairman, said he believed that the increase in turnover was considerably ahead of the market in general. Furthermore, the branch opening programme of 22 new profit centres for the year was believed to be in excess of the competition.

He attributed about 5 per cent of this year's growth to new branches, about 18 per cent to wage inflation and some 15 per cent to increased market share, the rest coming from growth in the market.

During the year, £2m was spent on branch refurbishment with a further £6m spent on advertising and marketing. A further advertising campaign costing £1.3m will be launched on Friday.

The company has a cash balance of £6m, compared with £3.9m last year. The decision to keep the money in the bank reflected a degree of caution about the company's vulnerability to an economic downturn, said Mr Reed.

Profits continued to be generated in equal proportions from temporary and permanent business. About 80 per cent of Reed's business stems from office staff, about 15 per cent from nurses, with the remainder coming from accountancy and other specialised staff.

● comment

Reed has notched up yet another set of sparkling results thanks to a rash of new branches, heavy advertising and its stronghold in the buoyant south east. Furthermore, its greater orientation to the more lucrative permanent staff business means that it prospers even more from the general boom than its rivals. But employment (and particularly permanent employment) is a cyclical business, as Reed, which watched the last recession wipe out profits, is fully aware. Accordingly, the risk of a wage explosion, fuelled by skill shortages, is viewed as one of the company's chief concerns, although in the short term, it would kick profits even higher. Assuming profits of £14m this year, the shares, up 8p to 215p, are on a multiple of 13. At that level, the shares, which are the purest play on the UK employment market in the sector, are a reasonable bet, for those who believe in the strength of the UK economy.

John Williams in the red

John Williams of Cardiff, steel stockholder and iron manufacturer, reported a loss before tax of £552,946 for the half year to March 31 1988.

This was from turnover down 10 per cent at £5.1m,and is compared with a profit of £185,700 from turnover of £5.7m for the same period last year.

The resultant loss per share of 7.86p compared with a profit of 2.67p per share last time.

Directors said that a full review of the company's operations was being undertaken.

They reported that specific areas where savings could be effected had been identified and with fresh investment it was intended to rebuild the company's asset base and restore it to a profitable future.

Brunner assets fall

The net asset value of Brunner Investment Trust, stood at 137.3p at May 31, compared with 162.4p a year earlier.

Post-tax revenue amounted to £646,000 (£732,000) in the six months to end-May, leaving earnings per share of 1.81p (1.14p).

The interim dividend is lifted to 1.4p from 1.25p last time, and the directors said that, a final dividend of not less than 1.6p would be recommended.

ABS up to £4m thanks to results from Danka

American Business Systems, the USM-quoted company primarily involved in photocopier distribution in the south-east of the US, saw pre-tax profits for the year to end-March jump sharply from £314,000 to £4.06m.

This progress follows the $15.5m reverse takeover in December 1986 of Danka Industries, US office equipment distributor, by New Court Natural Resources, US-based oil and gas company which had a full listing on the UK Stock Exchange. The name was changed from NCNR to ABS and the main business from oil and gas to photocopier distribution.

ABS' hoisted profits figure reflects the inclusion of the first full-year results from Danka, which only contributed for three months last time. Oil activities also contributed to group profits, but, since the year-end, the company has decided to sell most of its oil interests.

Group turnover soared to £35.3m (£7.87m). After tax raised to £295,000 (£42,000) and an extraordinary debit of £634,000 (£2.26m) earnings per 5p share increased fourfold to 10.08p (2.26p). The directors have recommended a final dividend of 1.1p to make a total of 1.7p (nil).

Mr Vaughan-Lee said that growth had continued in the first months of 1988 with "sales of photocopiers increasing steadily, and an enormous potential in facsimile machines". He added that he believed the current year would again be very successful.

Berisford US acquisition

In development of its expanding agri-business, S & W Berisford is purchasing W-L Research for $20m (£11.7m) cash, from Tejon Ranch Company. It will become part of Bristar within the food and agri-business division.

W-L is based in California and develops and markets proprietary varieties of alfalfa seed, widely used for animals.

The acquisition builds on Berisford's recent purchases of Germains and Kleenseed.

AB Engineering

Recovery at Associated British Engineering continued through the second six months of 1987-88 and for the full year to end-March the company saw its profits rise from £77,000 to £232,000 pre-tax. Turnover was virtually static at £26.22m.

The catering side improved its contribution by £110,000 to £345,000 and engineering swung from losses of £128,000 to profits of £168,000. Losses of £43,000 (profits £103,000) were incurred by the electrical activities.

The company is returning to the dividend list for the first time since 1984 via a 0.03p payment per 1p share.

Irish Wire purchase

Irish Wire Products is buying Panelling Centre of Dublin for a maximum I£3.1m (£2.7m) to be satisfied by the issue of shares. There will be an initial payment of I£1.5m with further profit-related payments.

Stirling up to £4m as 'good housekeeping' lifts margins

BY PHILIP COGGAN

Stirling Group, the Manchester-based clothing manufacturer, yesterday announced a 14 per cent rise in pre-tax profits to £4m in the year to March 31, 1988.

The company, which is one of Marks and Spencer's largest suppliers, managed to improve operating margins from 8.2 per cent to 8.9 per cent over the year. But Mr Peter Bentwood, the group's joint managing director, said the improvement was due, not to any one factor, but to "good housekeeping generally."

Stirling ended the year with about £5.6m in cash. It plans to invest around £1m to extend its cutting facilities, and Mr Bentwood said Stirling would be willing to consider an acquisition if it was "in clothing and supplied M and S."

Mr Bentwood said that orders were ahead of this time last year and the first quarter had performed in line with budget.

Operating profit was £3.71m (£3.21m) on turnover 7 per cent higher at £41.69m (£39.04m). After interest income of £297,000 (£302,000), pre-tax profits were £4m (£3.52m). Tax was £1.39m (£1.14m) and earnings per share were 7.05p (6.47p). The final dividend is being set at 0.85p (0.725p), making a total of 1.35p (1.15p).

● comment

M and S suppliers are a prominent sub-sector of the market and tend, inevitably, to go in and out of favour with their major customer. As a result, when M and S had difficulties in last year's first half, analysts marked their forecasts for Stirling down a notch; because M and S did better in the second half, Stirling has been able to edge ahead of expectations. But there is little to excite the market, despite the fact that Stirling is generally perceived as a well-managed group. Pre-tax profits should make £4.4m this year, putting the shares, at 68p, down 4p yesterday, on a prospective p/e of around 9. It is hard to see the rating moving significantly until M and S's next results.

Robertson moves up by 15%

The Robertson Group, provider of geographical and technical services and mining finance, reported pre-tax profits of £5.57m for the year to March 31 1988, a 15 per cent increase from £4.82m last time.

The result was posted on turnover up 50 per cent at £31.5m (£21m). Net interest receivable was £254,000 (£276,000) and there was a contribution of £52,000 (nil) from an associated company. Further operating income of £1.5m (£1.8m) came from mining finance, which reflected profit on the sale of the remaining shareholding in Greenwich Resources.

After tax of £1.99m (£1.66m) earnings per share worked through at 11.5p compared with 12.1p. Share capital has been increased by the acquisition of Robertson Gould and the rights issue launched during the year which will fund expansion of the group's activities.

Mr Lionel Cook, chairman, said the company had entered the new year with a greatly strengthened balance sheet and a very sound business base encompassing five operating divisions and a mining finance company with a very exciting future.

A final dividend of 2.4p (2p) is proposed, making 3.3p (2.8p) for the year.

Textured Jersey surges 87%

Textured Jersey lifted its pre-tax profit by 87 per cent in the year ended April 30 1988, from £711,000 to £1.33m.

Earnings were up from 11.91p to 22.24p, and the dividend is raised 1p to 7p, the final being 4.5p.

Turnover showed only a 13 per cent rise to £21.27m (£18.78m).

The directors said they were installing further equipment with a view to doubling prodoctive capacity of "low-shrink" cotton fabrics.

Sales of jersey knitted apparel, particularly in natural fibres, in mens, ladies and childrenswear remained encouraging.

They pointed out, however, that the high street remained extremely competitive and garment selling prices reflected the influence of an increasingly high level of import penetration. It followed that fabric prices remained very competitive.

There was an extraordinary surplus of £302,000 being the net profit on the sale of freehold interest in Narborough Road factory. The company has also paid £1m for a factory in Wigston for further expansion.

Raine £1.9m disposals

BY DAVID COHEN

FURTHER streamlining at Raine Industries, housebuilding and construction group, has seen the sale of seven non-strategic subsidiaries, together with the assets and trade of an eighth, for a total of £1.86m cash.

The disposals, to the management of the respective companies, were concluded before the end of Raine's financial year on June 30, but after the parent group had extracted £1m of dividends from the subsidiaries.

Mr Peter Parkin, Raine chief executive, said the companies were not strategic to Raine's overall objectives.

"This concludes our clearing up and no further disposals are expected," he said.

According to Mr Parkin, Raine received a slight premium over net asset value for the disposals. The purchasers will assume £1.36m in borrowings.

Of the eight subsidiaries, five were originally acquired as part of the swap of assets with Evered Holdings earlier this year.

Bogod-Pelepah

Bogod-Pelepah, distributor of sewing machines and parts, reported pre-tax profits up 58 per cent in the year to end-March 1988. On turnover of £6.5m, up 7.5 per cent on the comparable £6.05m, profits rose from £201,000 to £318,000.

Earnings per 10p A restricted voting shares were 3.72p (2.38p) and a final dividend of 0.44p is proposed for a total of 0.64p (0.5p). Earnings per ordinary were 1.86p (1.19p) with a final dividend of 0.22p (0.2p) making a total of 0.32p (0.25p).

SHARE STAKES

Changes in the following company share stakes were announced during the past week:

Stainless Metalcraft – Dr Ruddick has been appointed an additional director and 350,000 ordinary shares have been allotted to Herondela, a company owned by members of Dr Roddick's family. Herondela now has a holding of 425,000 shares (7.4 per cent). J. North, director, purchased 25,000 ordinary at 94p.

Priest Marians Holdings - Mr S.A. Fussell, chairman and chief executive, has acquired through a wholly-owned private investment company, £450,000 nominal of 6½ per cent convertible loan stock at £123 per £100 nominal of stock. His total interests, including those of parties who are deemed to be acting in concert with him, are now 4.51m ordinary (29.67 per cent) and £4.02m nominal of convertible loan stock (13.64 per cent).

Ivory and Sime – Mr I.F. Rushbrook, director, has purchased 527,906 ordinary increasing his and his family interest to 13.68 per cent of issued capital.

Willaire Systems – Britannia Securities Group has sold its entire holding of 6.25m ordinary (12.3 per cent) and 242,365 convertible preference shares (3.9 per cent).

Davy Corporation – Abu Dhabi Investment Authority holds 5.44m shares.

Olives Paper Mill – Mr M.P. Kent has transferred 2.2m ordinary (28.58 per cent) to Kent Holdings, which is now interested in an aggregate of 4.4m (57.7 per cent). Mr Kent remains interested in all the shares held by Kent Holdings.

Personal Assets Trust – Mr I.F. Rushbrook has purchased 527,906 ordinary increasing his and his family interest to 13.68 per cent of issued capital.

Unilever – Mr M.R. Angus, director, has disposed of 128,240 ordinary and now holds 43.94m (5.547 per cent).

WA Holdings - Following the disposal of 1.9m ordinary, Prestwich Holdings no longer has a notifiable interest.

Brown & Tawse up by 44% to £7.5m

by Clare Pearson

PRE-TAX profits of Brown & Tawse Group, distributor of steel and pipeline products, advanced 44 per cent to £7.5m in the year to March 31.

Mr Gilbert Black, chairman, said all areas of the company's activity, including the more mature steel stockholding business, had enjoyed buoyant market conditions during the year. They benefited especially from high levels of activity in the construction sector.

The company continued to diversify out of steel stockholding during the year with the addition of Stauff, the hydraulics company purchased in May 1987 for £5.2m cash. In February this year, Alpha Rubber & Plastics, an industrial and hydraulic hose distributor, was added for £856,000.

The three acquisitions made in the previous year were in the fields of tubes and pipeline equipment.

Turnover rose to £141.59m (£107.58m). Within operating profits of £8.78m (£5.31m), steel stockholding rose from £884,000 to £1.85m. Tubes and pipeline equipment produced £4.9m (£4.16m) and special products – tubes and ventilators – £2.03m (£269,000).

The cost of acquisitions was reflected in a higher interest charge of £1.26m (£760,000). Gearing currently stands at about 32 per cent.

After tax of £4.89m (£3.39m), earnings per share were 27 per cent higher at 17p (13.4p). The recommended final dividend is increased to 5.6p, making 8p (7.2p) for the year.

Capital & Regional

At a cost of £4.85m cash, Capital & Regional Properties has purchased Grovebury Properties (Holdings), a private company.

It has commercial property investment in the UK and US. Its net asset value is estimated at £5.2m.

Thos. Robinson

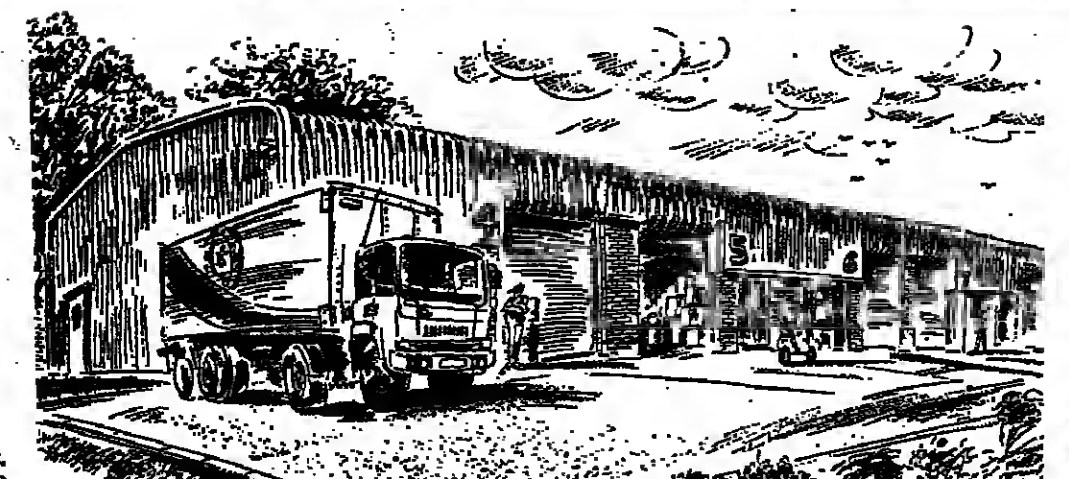
Thomas Robinson has purchased W A Boulting Electrical Contractors for £1.85m, satisfied via £1.25m cash and an undertaking to allot to certain vendors 149,254 ordinary shares. Boulting had consolidated net assets of £1.71m at December 1987. Since then, and prior to completion, investment properties have been sold for a profit of £200,000.

MANAGEMENT: Small Business

Industrial premises

Why supply and demand are out of kilter

BY PAUL CHEESERIGHT



THE BEDDING factory in Vauxhall, South London, had been empty for seven years and derelict for three. Skillion bought it a year ago, transformed it into 16 small units and offered them for sale.

A five-line advertisement in a London paper produced 46 replies. A bigger one a few days later prodnced shoals. Skillion stopped counting at 300. Here was light industrial demand in force – from furnishers, photographers, printers and so on.

It was as good a demonstration as any of the rising demand for small business premises from industrial users. This demand – which started in London and the South East – has been spreading into the rest of the country. But there is difficulty in meeting it.

This is a narrow section of the market with its own special quirks. King and Co, the chartered surveyors whose industrial space statistics are the most widely used in the property industry, has calculated that the amount of available space nationwide in units of less than 3,000 square feet is 1.69m square feet. But this compares with available space in units of more than 5,000 square feet of 88.47m square feet.

Supply of small units has been falling behind the rising demand for both general and particular reasons. The cutbacks of manufacturing industry in the early 1980s led to a slowdown in industrial property devalopment. Industrial land passed to other uses – retail and residential especially.

Because property development lags economic development there was bound to be some catching up to do when business prospects improved. But the recent property boom, affecting the South East especially but increasingly other parts of the country, has pushed up land prices.

So the catching up is made more difficult, at least for the provision of new premises. The chief problem is the cost of buying sites and developing them relative to the return that might be expected from them.

Outside the South East, the industrial rents are too low to attract much privat sector development. "There has to be an act of faith in doing the scheme rather than having all the figures which support your doing it," observes Eric Morgan of Sanderson, Townend and Gilbert, chartered surveyors in Newcastle.

In the South East the land values are too high. "Costs would be prohibitive if you bought land. You've got to look at existing premises and turn them into something they haven't heen used for before," says John Matthey of Skillion which specialises in the provision of small business premises.

The lack of private development activity in new projects on open sites has been offset to some extent by puhlic bodies. Thus English Estates, tha Scottish Development Agency, the Welsh Development Agency and myriad borough councils have entered the market. They seek some return on their investment but are concerned above all to open up accommodation in the interest of generating employment.

The Government has scattered Enterprise Zones across the country with 100 per cent huilding allowances and rates holidays for precisely the same reason.

The effect of all these moves has been not only to meet a need but also to distort the market hy the provision of premises at lower prices than the private sector developers can afford to offer. The effect of that, in turn, has been to deter the developer or to push him in other directions.

The specialist providers of small business premises are in any case competing with other users for sites. "It is a very much more difficult joh finding suitable properties than in the early 1980s," says Chris Avery, general manager of LEntA Properties, funded hy Shell, BP, and Barclays and Midland banks - as he puts it: "the John Lewis of the market", with its maxim of never knowingly undersold.

His recipe is to use contacts through the London Enterprise Agency and Business in the Community to find property coming through to the market – "at least we get the benefit of a negotiated deal rather than buying by tender."

Tha London Small Property Business Trust is seeking to expand its portfolio by exploring ways of working with local authorities to utilise land "either in their possession or owned hy others."

For Skillion, says Matthey, "the trick is to find buildings nobody wants as an office." Hence it has bought an old piano factory in Wandsworth, an old fire engine factory in Greenwich, and a former British Steel plant in Battersea, out of which it can create units as small as 200 square feet.

These approaches to the market have two things in common. First, in every case, the operators are seeking to lower their cost base so that they can bring accommodation to the market at a price at which they can reasonably expect to rent it while obtaining a return as well. New companies are coming into the market, notes Morgan, "but they are looking more at the existing fabric than a new fabric."

The second point these companies have in common is that they are *seeking to provide premises* to rent. Their tenants are probably at an early stage of their business development. They have graduated from the front room or the garage and are embarking on the first stage of expansion. From their first rented premises, they might move to something larger. Later they may well buy their own accommodation.

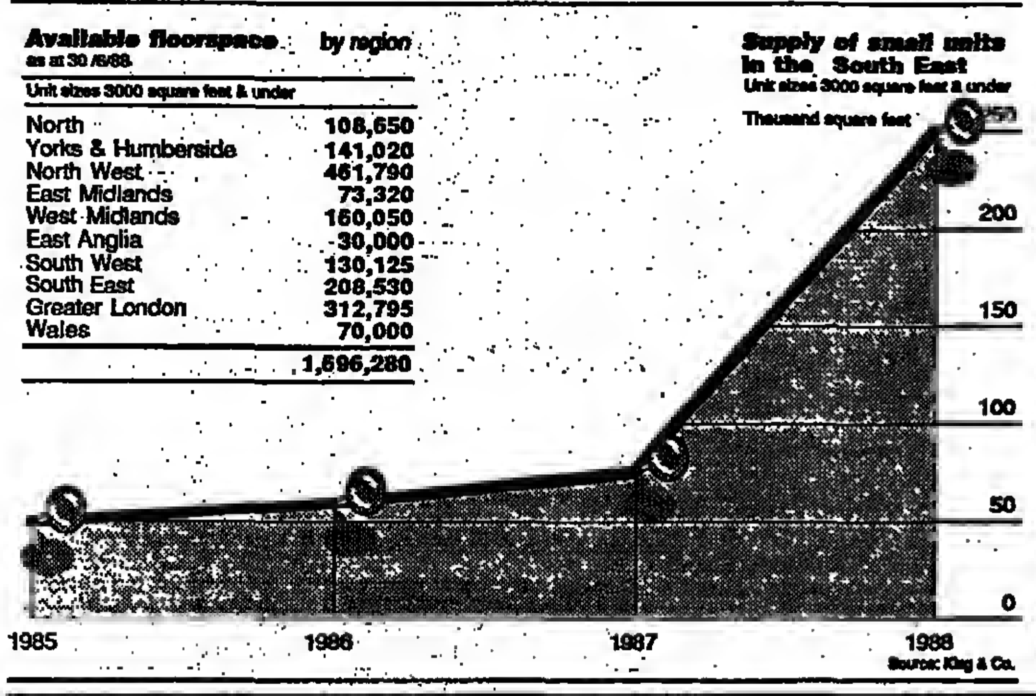
Developers have noted the rising demand for owner-occupation and it suits them. As Avery points out, they develop units to a shell condition (leaving the occupant to put in his own internal facilities) and with knowledge of the 1974 property crash and fears about the current frothiness of the market, they want a quick sell. But, he added, "they are taking a lot of property in which we would be interested off the market."

The trend towards owner-occupation has been a boon. It offers an outlet for companies not interested in managing estates and goes some way to replacing the traditional big investors in property, the financial institutions.

Until very recently the institutions were more intent on scaling down their industrial property exposure than huilding it np. They are not interested in properties where the rental agreements are for short periods and the covenants are not wholly secure. But just a small change in their attitudes would push more capital into a market that badly needs it.

Available floorspace by region
as at 30/6/88.

Unit sizes 3000 square feet & under	
North	108,650
Yorks & Humberside	141,020
North West	461,790
East Midlands	73,320
West Midlands	160,050
East Anglia	30,000
South West	130,125
South East	208,530
Greater London	312,795
Wales	70,000
	1,696,280



Horses for courses

BUSINESS graduates from the garage and the front room, seeking to rent a property for the first time, confront a market which varies from region to region, district to district, even street to street.

Prices change too. It may be possible to obtain a scruffy shed in the North for £1 a square foot, but the little media company, striving to give a good impression in the South East, could have to pay £15. It is, as they say, horses for courses.

But, says Bob Thompson of King and Co, after analysing space surveys: "In City locations there tends to be a higher percentage of the available space." He has also found that the overwhelming interest is in accommodation which is locally available, that has some parking and which has its own front door.

A key factor in the rental cost, Thompson continues, is the amount of office space in the unit. The more office space, the higher the price.

Given the growing strength of the market, the pntative tenant will find that rent concessions are more difficult to obtain. Both English Estates and the Welsh Development Agency have noted that they do not have to offer the concessions of two or three years ago to fill the premises.

And even in Enterprise Zones, the existence of concessions on the rates tends to give the landlords a greater freedom to make the rents higher.

New tenants, thongh, will not want to be tied in to long leases. Rather they will want a licence to occupy premises. But taking premises with the right to give a month's notice is more expensive than taking them on a long lease. And, in the same way, the smaller the premises the more expensive they are likely to be on a square footage hasis.

Where husinesses enter a normal lease they will find that they are responsible for the maintenance and repairs to the premises.

It is this factor, as much as any other, which leads a business, once established, to consider purchase of its own accommodation. There are, after all, plenty of funds available for commercial mortgages. It is just like switching *from renting a house* to buying it - why foot the repair bill for somebody else?

Administrative burden of VAT lightened

LAST WEEK saw the introduction of a scheme which should simplify the value added tax regime for some small companies. It will also partly ease cash flow for those companies which find themselves consistently awaiting repayments of VAT from HM Customs & Excise.

To the Excise, "small" means a company with a taxable turnover of less than £250,000. To qualify for this particular arrangement – an annual accounting scheme with many of the advantages of the budget accounts used to even out payments of domestic gas or electricity bills – companies must have been registered for VAT for at least a year.

The company and the Excise agree on an annual payment which depends on the amount of VAT paid in the previous year. This annual figure is divided by ten. The trader makes nine monthly instalments by direct debit, beginning four months after the start of the year, and at the end of the year a single VAT return is submitted.

The final payment, which is submitted with the annual return, has to be paid within a further two months.

It has always been possible to opt for a monthly basis, but in the past this has brought with it the considerable administrative burden of also producing a monthly VAT return.

There is an obvious attraction for growing companies: their VAT payments are tied to the previous year's, giving them the use of the extra VAT collected until the end of the year.

The four-month grace period means that companies which used to pay VAT quarterly do not suffer a cash flow disadvantage. However, as the year wears on, the concession of four months in arrears is effectively whittled down by each monthly payment, which is larger than a single month's liability (12/10ths, to be exact).

The exact opposite applies to companies whose sales are fully or partly zero-rated for VAT. These companies cannot charge VAT on their zero-rated sales, and so often look to the Excise for quarterly repayments of the tax they have suffered on their own purchases.

The main attraction of the scheme for most companies is the administrative convenience of submitting only one return a year. Together with the cash accounting scheme, introduced last autumn to relieve companies which find themselves paying VAT over to the Excise before they themselves are paid by their customers, it represents considerable progress for small companies.

Copies of a leaflet describing the annual accounting scheme, VAT Notice 732, are available from local VAT offices.

Richard Waters

In brief...

THE TRAINING Commission, formerly known as the Manpower Services Commission, has launched a package to help companies analyse their business and training needs.

The Your Business Success Kit aims to help owner-managers produce a realistic business plan and then analyse the skills of the workforce to establish the training needed to make the business plan work.

The kit, which has been developed by the Durham Small Business Club, has been prepared in three versions: for start-up companies, those with up to 25 employees and those with up to 200 employees. Business owners can buy the kits for their own use though the maximum benefit would be gained from attending workshops to be arranged by local enterprise agencies and other organisations.

The kit comprises a 60-page loose-leaf binder with worksheets. That for companies employing up to 25 people costs £5 now; the other two versions will be available later this year.

Contact Training Commission, Moorfoot, Sheffield S1 4PQ, Tel 0742 703427.

● STIMULATING rural enterprise can play an important role in the developing countries in stemming the drift to the towns, retaining local culture and providing a more diverse economy.

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Contact Dr Shailendra Vyakarnam, Centre for Enterprise Development in Rural Areas, Silsoe College, Cranfield Institute of Technology, Silsoe, Bedford, MK45 4DT. Tel 0525 60428.

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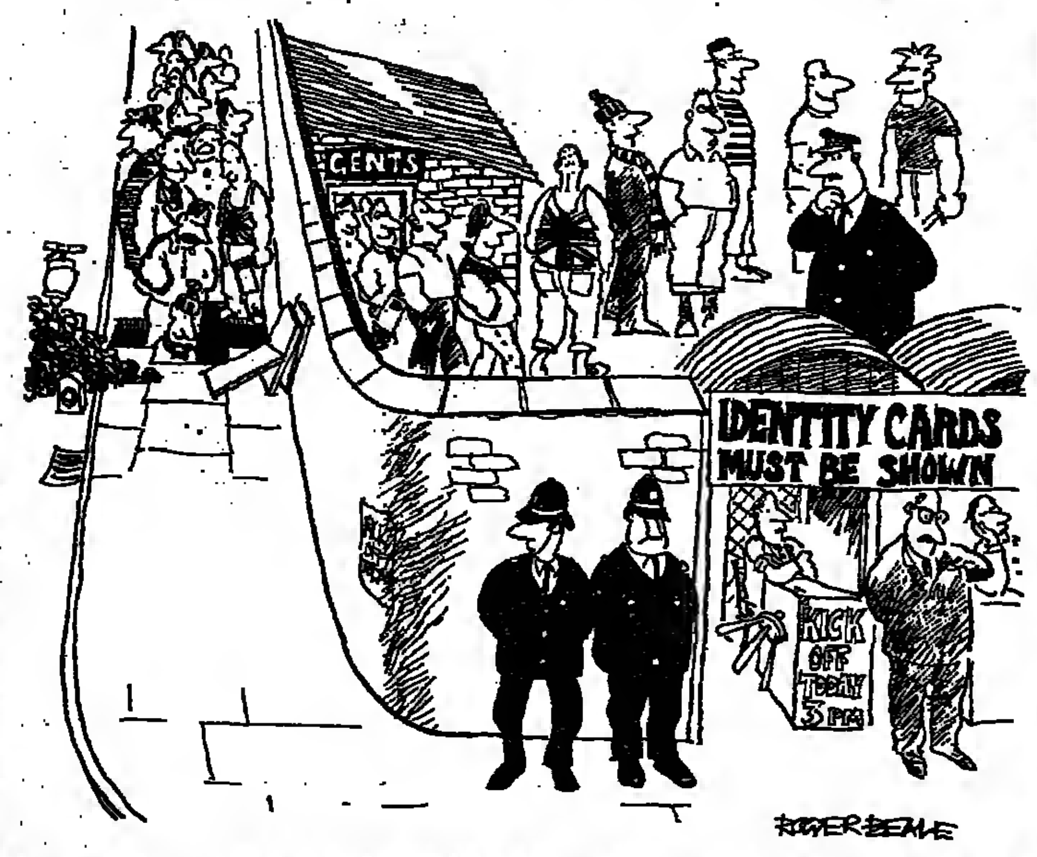
Showing soccer hooligans the red card

Paul Abrahams explains how club membership systems could help ease the troubles of English football



FOOTBALL and hooliganism look set to dominate Mrs Thatcher's diary tomorrow. The Prime Minister is scheduled to meet representatives of the two main bodies representing the gama in England, the Football League and the Football Association.

On the agenda is a plan which would force anyone wanting to watch a football match to join a national membership scheme. The aim is to combat the sort of hooliganism which generated so much publicity during the European Championships last month.

"If the Government really wants to control hooligans, it will have to insist on a 100 per cent membership scheme, together with all the technology involved," says David Byers, national director of the business services division of Computer Management Group, the information and management consultants.

"If such a system was adopted it would offer a potential market worth in excess of £20m. Prospects exist not just in the UK, but also, eventually, on the Continent," claims Colin Watson, marketing manager at Thorn Security, a division of Thorn EMI.

"In the past we did not think that 100 per cent membership schemes were the answer," says a spokesman from the Football League. "We do not know what sort of proposals about restricted entry there will be, nor how we will react. But if we do move towards 100 per cent membership, there will certainly be far reaching implications."

The Football League believes there is a risk that controlling crowds in grounds will only force the problem onto the streets. Proponents of the scheme argue that it may not solve the problem, but it will be an important step in the right direction.

Potential suppliers of electronic access systems designed to assist football security say that, technologically, there should be little problem in implementing such schemes.

"The technology for 100 per cent membership already exists," says David Byers.

There are three main systems in operation in the UK, provided by GEC, the UK electronics company, Aquix Holdings of Lincolnshire, and Springmead of Haverhill, Suffolk.

Springmead's system, called Checkpoint, has been in operation at Colchester United since last season. It is based on magnetic card or bar code readers, linked to a relatively inexpensive IBM XT personal computer.

In its latest version, developed by Independent Computer Solutions of Halstead, Essex, Checkpoint allows a list of those who have been banned either on a national or club basis to be stored at each turnstile. The turnstile checks each card against the list. It rejects the cards of banned football supporters, and informs the controlling computer so that the card cannot be re-used.

The company also provides a portable reader which, it says, could be used at stations to control the movements of travelling supporters before they leave their home town.

Derby County has introduced a system supplied by GEC which uses extruded plastic keys, based on those designed for hotel security. The keys can be manufactured with many millions of permutations, and can be identified almost immediately by a portable reader, which costs around £1,750.

At Luton Town, membership cards use a bar code system provided by Aquix Holdings.

With all three systems already in operation, the manufacturers believe they have solved one of the main objections to electronic systems: that they are unable to cope with the sudden throughput of football supporters.

Michael Dunford, secretary of Derby County Football Club, explains that this problem has become increasingly acute because crowds have been arriving at grounds later since sales of alcohol were banned in stadiums. Many fans stay in the pub until 2.30 and leave themselves only half an hour to get into the ground before a three o'clock kick-off.

David White, director of Springmead, claims that the Checkpoint system will not affect speed of entry. He says that it takes an average of eight and a half seconds to pay at a turnstile and less than 4 seconds to pass a card through a reader.

If the card is a season ticket or is part of a credit system, throughput can be even faster.

Colin Watson, at Thorn Security, says that coping with the needs of football clubs would provide little difficulty compared with the problems posed by factory clocking-in systems of the type which Thorn already supplies.

However, White says that none of the systems will be successful unless they are based on a common operating standard.

"The Football League has to provide a lead," says White. "Although the League's constitution means it cannot force the clubs to take any one product, without a common operating system and database structure systems would be incompatible. Once there is a standard, the companies can start in earnest, knowing their technology has a chance."

But even though the technology of electronic access control is feasible, the financial aspects of football security could still prevent its application.

"The problem in the end comes down to one of cost. Whichever solution you look at it is going to involve money," says Miles Flint, general manager of corporation networks at ICL, the UK computer company.

"The issue is not technology, it is economics," he says. "We can supply systems tailored to meet the budgets and requirements of clubs as large as Manchester United in the first division to Colchester United in the fourth. But who is going to pay for it?"

"The danger is that the cost of these electronic systems will be passed on to the supporters, with an important negative effect on the size of crowds," says Byers at Computer Management Group. "Some clubs, like Wimbledon, relative newcomers to the first division, could not afford a drop in attendance," he adds.

Both Luton Town and Colchester United experienced falls in support after the introduction of card membership schemes and a ban on fans from other clubs. Colchester has abandoned the ban on away supporters and both clubs believe that more careful management and pricing of the cards will help increase the size of crowds.

Suppliers of the systems point out that costs generated by installation and any loss in attendance can be partly off-set by the financial advantages offered by the electronic equipment.

A spokesman at the Football League says that sponsorship and advertising, as well as marketing opportunities could cover some costs. He says that Sunderland has a membership scheme with 34,000 participants, while Brighton has a scheme with 20,000 members.

Another cost benefit is the reduction in policing costs. Luton Town now uses 75 per cent fewer policemen, with a cost saving of 60 per cent compared to two years ago. It expects to pay only £25,000 next year on policing.

Other possible ways of financing new electronic systems might be to divert funds from multi-million pound transfer fees for players or from the anticipated increase in revenue created by the imminent arrival of satellite television.

The danger is that if the football community does not introduce an effective system and is unable to solve the problem of hooliganism it may be forced to follow Luton Town which decided to take the lonely path of banning away supporters.

"We had to accept the moral responsibility. We were afraid that someone would be killed outside the ground," says John Smith, managing director of Luton Town.

"Since we banned away supporters there have been no incidents, no arrests, no assaults and no crime. Local shops have reported increased takings on Saturdays, and the police have been able to reallocate resources to serve the community elsewhere."

WORTH WATCHING

Edited by Geoffrey Charlish

Philips improves its optical performance

PHILIPS, the Dutch electronics group, has introduced two enhancements to its Megadoc document storage and retrieval system.

Megadoc is aimed at organisations like banks and insurance companies that have to examine original documents (to liaise with customers, for example). It is able to record 50,000 complex A4 images on a single 12-inch disc using a tiny laser to burn microscopically small digital marks on the surface.

Such storage systems occupy a small fraction of the space taken up by paper filing systems and a document can be brought up on the screen in just a few seconds. The technology used is similar to that in compact discs and the company guarantees a storage life of 30 years.

Realising, however, that many companies may have been storing documents on microfilm for some time, Philips is offering a microfilm reader-scanner system which allows the two storage approaches to be combined.

The user can look at the microfilm record and then transfer it to optical disc. Some, or all, of the microfilm library could be moved onto discs if required.

The company is also introducing a personal computer workstation for use with Megadoc, supplementing the standard workstation.

Philips believes the unit, compatible with IBM-AT software, will be attractive where users have to carry out normal PC office work in addition to document retrieval.

Electronics speed NHS supply route

INITIAL TRIALS have been concluded in the UK of an electronic system by which National Health Service district and regional authorities can buy medical supplies from the pharmaceutical industry.

Called Pharmanet, the system was designed by International Network Services (INS) of Sunbury, which has supplied similar EDI (electronic data interchange) facilities to retailing, insurance and motor trade groups in Britain.

The 12-month trial, carried out at Mersey and Wessex regional health authorities, showed that techniques for placing orders, receiving acknowledgements and passing messages, worked well. European Article Numbering (EAN) codes are being used to identify maker, product, form, strength and pack size. The aim is a quicker and more efficient turn-around of orders, reduced stockholdings and improved payment routines.

The system will work with existing NHS pharmacy computer systems and further trials are planned. However, full scale implementation is not possible until all suppliers adopt the EAN coding. Most major companies have already done so.

On-screen experts lend helping hand

TWO KINDS of "self help" computer systems have been announced in the UK. One is aimed at employees making personal pension decisions and the other at people thinking of starting up in business.

The first, jointly launched by Expertech of Slough and Minet Consultancy Services, London, is called The Pension Choice and runs on IBM personal computers.

Using plain English, the program elicits personal details such as age, tax rate and earnings potential. It will then guide employees through the options available and make a recommendation. The system is claimed to be impartial and simple to use.

Logica, the London computer systems consultancy, is to develop an expert system for the Training Commission (formerly the Manpower Services Commission). Expert systems try to encapsulate specialist knowledge for use by non-experts.

In this case, Logica is drawing on the counselling expertise of business consultants to develop a computer system called Basics, which will provide advice and guidance to those starting up in business.

The main objective is to help individuals and companies determine their own training needs. Basics will be part of TAP (training access points), in which the Training Commission plans to set up computer-aided information points at job centres and similar public places.

Canon sharpens still video focus

CANON, the Japanese camera maker, has launched an improved version of its still video colour camera. Using a new 600,000 pixel (picture element) sensor for recording the image, the camera is capable of producing pictures nearly as clear as broadcast quality television.

The camera, which looks like a 35mm still film camera, costs £2,930. It is aimed at commercial activities where there is a need to record and transmit (or view) images immediately, such as in news-gathering, or industrial testing.

Up to 50 images can be stored on a two-inch erasable floppy disc and pictures can be taken at up to ten per second.

Canon remains the only company selling such cameras in the UK, although others are on sale in Japan (from Sony, for example). A consumer market is not foreseen by Canon at present prices, but it can only be a matter of time before such cameras are in the shops.

Then the photographer simply returns home, plugs the camera into a playback unit and TV set, and looks at his "snaps" on the screen.

Taking the drill to heavy metal repairs

WHEN MAKING on-site repairs or alterations to heavy metal parts and structures, holes ranging in diameter from 38mm (1.5ins) to 760mm (30ins) can be cut using a lightweight, portable boring machine from JKS-Boyles of Kirkby in Ashfield, Nottingham, UK.

The unit is intended to avoid the cost and time involved in removing major sub-assemblies from heavy plant and equipment and taking them to workshops for repair and maintenance.

Weighing only 50kg (110lb), the machine has its own hydraulic power pack and can easily be taken on a light truck to a site, where it can soon be tack-welded into position and made ready for work.

CONTACTS: Philips Telecoms and Data Systems: The Netherlands, 55 433443. INS: UK, 09327 61020. Expertech: UK, 0753 821321. Logica: London, 637 9111. Canon(UK): London, 773 3173. JKS-Boyles: UK, 0623 754482.

Oil analysts to test price range fluctuation theory

BY STEVEN BUTLER

THE WORLD'S oil traders appear about to give one of the most popular theories on oil price fluctuations a severe test. According to this theory, oil prices ought to fluctuate roughly between $18 and $15 per barrel.

When prices run up over $18 a barrel, members of the Organisation of Petroleum Exporting Countries find they cannot resist to the temptation to turn on the tap to bring in more revenue. This then leads to oversupply that brings the price tumbling down.

At the lower end of the spectrum, Opec begins to scream. The oil cartel calls emergency meetings and tries to shore up prices.

This is precisely what happened in March when Brent oil fell below $14 a barrel, and the cartel convened a surprise meeting of its price committee.

However, a series of three meetings, including the regular Opec meeting that concluded in Vienna less than four weeks ago, failed to produce any agreement of substance that could shore up prices. With oil prices once again plumbing the depths, Opec's credibility among oil traders has also hit a nadir.

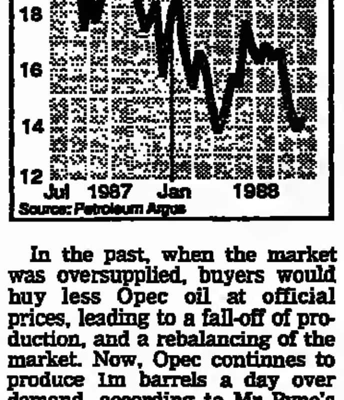
A ring-round of London oil analysts yesterday showed that the structure of the theory is still intact and indeed, for the first time in many months, there is remarkable unanimity on the outlook for the market. What no one is sure of any more is just what numbers to plug into the model, or, in other words, just how low it can go.

"It is a distinct possibility (that prices could plunge below $10 a barrel)," says Mr Geoff Pyne, of Phillips & Drew, "although it is not my forecast."

The forecast is slightly more optimistic with Mr Pyne expecting only that Brent is likely to test $13.

He believes that without any Opec response to the price fall oil will keep getting cheaper. This is because the Opec price maintenance mechanism has collapsed with the advent of market-related prices.

Oil Price
Brent Blend Crude ($ per barrel)



Source: Petroleum Argus

In the past, when the market was oversupplied, buyers would buy less Opec oil at official prices, leading to a fall-off of production, and a rebalancing of the market. Now, Opec continues to produce 1m barrels a day over demand, according to Mr Pyne's figures, with no corrective mechanism.

Mr Mike Unsworth, of Smith Newcourt, is in broad agreement. "It's a bit like the situation earlier in the year," he says. "You knock a dollar off the price and see what happens. What will mark the bottom is some response from Opec."

That means prices should continue to fall, perhaps a dollar or two, he believes, before Opec feels enough pain to do something. Mr Mehdi Varzi, of Kleinwort Grieveson, believes that the most recent slide in oil prices is largely intentional.

"Arab producers are playing politics with the oil market," he says.

The principal motive, he believes, is to hit the oil revenues of Iran which has been facing increasing difficulties in its war effort against Iraq. Additionally he believes that Saudi Arabia, by far Opec's biggest producer, is willing to put up with low oil prices for a few months in order to help the US dollar, and possibly ease the way for a Republican victory in the US presidential race.

Mr Varzi, however, also believes the Saudis may be trying to lower the trading range of crude oil for a sustained period so as to preserve the fuel's competitiveness and lower incentives for non-Opec oil exploration, which has moved ahead strongly despite the low oil prices of recent years.

"The Saudis are deliberately ratcheting down what people think is a fair price," he says.

Mr John Toalster, of Hoare Govett, has a refreshingly simple view of the market.

"Essentially you have too much oil," he says. "It does look very much like a one way bet."

Mr Toalster believes that Opec oil production is now exceeding demand by between 1m and 1.5m barrels a day. The way he sees it, Saudi Arabia is hoping in the long run to extract concessions from other Opec and non-Opec producers by showing them just how painful a glut of oil can be. In the past Saudi Arabia acted to balance the market by cutting its own production, but the Saudis now refuse to play this role.

"At some point there will be a panic button," he says, which will send other oil producers running to the Saudis to propose joint action. Although he once thought $14 a barrel would be the trigger point, he now suspects it may be closer to $12.

Nigeria, Indonesia and Venezuala, all Opec members, are thought to be in particular pain because of foreign debt and balance of payment troubles.

What has not appeared yet, in this latest slide in price, is any indication that Opec will soon be in any position to act, particularly since oil ministers met less than a month ago and little has changed in the interim to prompt a fresh consensus.

This has raised the prospect of oversupply for many months to come. And with the United Arab Emirates apparently carrying out threats to produce 1.5m barrels per day, roughly 50 per cent over its quota, there is little likelihood the rest of the cartel will feel inspired to discipline.

Tropical timber compromise reached

BY IVO DAWNAY IN RIO DE JANEIRO

A COMPROMISE at the weekend between producers and consumers of tropical timber agreed on four new projects for the industry valued at $3m and promised to examine more later this year.

While the outcome of the fourth meeting of the 2-year-old International Tropical Timber Organisation fell far short of the most optimistic hopes of conservationists, it proved sufficient to keep the 42-nation body alive.

Delegates had arrived in Rio de Janeiro concerned that potential conflicts of interest between consumer and producer countries could put paid to the ITTO, founded in 1985.

But after some initial disagreements between producers advocating substantial funding for a range of some 50 projects and consumers arguing for a narrower definition of the ITTO's goals, some common ground was found.

Most crucially, the organisation's governing council agreed to press ahead with a model project in the Brazilian state of Acre aimed at examining how to exploit tropical forest most efficiently without damaging the environment.

The $3m scheme involves careful assessment of the harvesting of not merely timber but other forest products from nuts to honey.

Other programmes agreed include the pooling of statistical and market information, research into the standardisation of Andean timbers and the examination for commercial exploitation of lesser used species will also go ahead.

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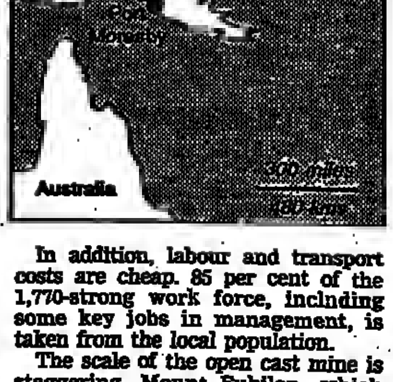
Aluminium standard	+9,125	to	89,050
Aluminium high grade	+10,825	to	41,250
Copper Grade A	+1,650	to	88,750
Lead	+1,500	to	62,875
Nickel	−515	to	3,480
Zinc	−700	to	34,425
Tin	−440	to	15,770
Silver (oz).	−854,000	to	14,790,000

WORLD COMMODITIES PRICES

David Blackwell visits a gold mine in the clouds

Coming-of-age for Ok Tedi



In addition, labour and transport costs are cheap. 85 per cent of the 1,770-strong work force, including some key jobs in management, is taken from the local population.

The scale of the open cast mine is staggering. Mount Fubilan, which originally contained 38m tonnes of leached gold ore capping and 377m tonnes of copper ore, is gradually disappearing under the continued onslaught of massive machinery.

Before mining started in April 1981, the mountain stood at 2,050 m above sea level. Today it is 150 m lower, and by the end of mining operations in 2003 the bottom of the hole will be only 1,378 m above sea level, with 1bn tonnes of rock removed.

In order to get at the ore at all, a massive operation was mounted, under appalling conditions, to build the infrastructure. The 130 km road from the new port of Kiunga to Tabubil, 2,000 m above sea level, was started in 1980 and finished in 1982.

Tabubil now has 500 houses for more than 4,000 people, and is expected to reach a population of 6,000 soon. Mining roads already total more than 200 km. Three schools and a hospital have been built. Everything for construction has had to be air-lifted from Kiunga, including bulldozers, which were taken in pieces to Mount Fubilan by helicopter.

The tremendous problems, ironically made worse by an unprecedented drought which halted traffic up the Fly River, gave the early years an erratic history, with strained relations between Ok Tedi and the Papua New Guinean Government.

But the company pressed on, in spite of low copper prices in the mid-1980s, and the first gold ore was milled in May 1984. This year, about 22,000 tonnes of ore has been milled per day, giving 30 kg of Doré bars. These contain 65 per cent gold and 30 per cent silver, and are flown out from the mine after smelting.

In both 1986 and last year more than 500,000 ounces of gold was produced in this way, but the ore will all have been extracted by September this year. The gold milling and smelting operations will come to an end and the mill will be switched to processing copper ore.

The total capacity of the plant will then be processing ore at the rate of 70,000 tonnes a day until beyond the turn of the century.

Meanwhile, the company will still be reaping profits from the gold present in the copper ore, which is 70 per cent recoverable at smelting.

With 70,000 tonnes of ore a day going through the mills, annual copper concentrate production is expected next year to hit 500,000 tonnes. This will contain 150,000 tonnes of copper metal, compared with only 39,500 tonnes last year, and 350,000 ounces of gold.

This year – the first full year of copper production and the last year of gold ore milling – the mine expects to produce 596,000 ounces of gold. Roughly two-thirds will be produced as bullion, with the remaining third coming from copper concentrate. Long-term contracts for copper supply to Japan, South Korea and West Germany will take 80 per cent of copper production for the next eight years.

The coming of the mine has dragged a stone-age society into the 20th century with a jolt, and the company is obliged under its agreement with Papua New Guinea to smooth the transition as much as possible.

All the expatriate employees at Ok Tedi are bubbling over with enthusiasm for the project and dismissive of the problems of living in such an inhospitable place. Mr Murray Air, the financial manager, has brought his wife and three young children from Chicago to live in Tabubil.

He denies that it was money that lured him to Ok Tedi. "Those who come here just to make money rarely stay the course," he said. "What you need is the spirit of adventure."

The US markets were closed yesterday for Independence Day.

FOREIGN EXCHANGES

Pound down and dollar up

STERLING LOST ground in spite of another rise in UK bank base rates yesterday. Attention turned towards the pound as fears increased about the economic situation in the UK, after recent figures showing rising inflation, high bank lending, and a deterioration in the trade balance.

The dollar had a firm undertone, rising to its highest level this year against the D-Mark and Japanese yen, but the market was thin with New York closed for Independence Day.

Sterling finished at its lowest level against the dollar since last October, and the weakest against the D-Mark since the sudden surge in the pound's value in early March.

The pound opened on a weak note in London, initially falling over 1 cent to $1.6900, and declining to DM3.0825 from DM3.0950.

Sterling made a partial recovery after the Bank of England signalled at noon a rise in bank base rates, but then lost further ground, to finish much weaker on the day.

The pound fell 1.80 cents to $1.6830, and declined to DM3.08 from DM3.0950. It also fell to SFr2.5625 from SFr2.5725, and to FFr10.3725 from FFr10.4325, but was unchanged at Y228.00.

Sterling's exchange rate index closed 0.4 lower at 74.6, the lowest since February.

It will be a quiet week for statistics, and possibly the most important economic news will turn out to be the US unemployment and non-farm payroll figures to be published on Friday.

Yesterday saw the announcement of UK official reserve figures for June, and the West German trade data for April, but these had no impact.

Britain's official reserves rose an underlying $84m. the market expected a flat figure, and was not influenced by the slight rise in the reserves.

The West German trade surplus widened to DM9.5bn in April, from DM8.6bn in March, while the current account surplus nearly doubled to DM8.6bn from DM4.7bn.

There was no sign of intervention by the Bank of Japan to stem the dollar's rise in Tokyo yesterday, and selling of the dollar by the West German Bundesbank in Frankfurt had only a limited impact.

News that a US warship in the Gulf had shot down an Iranian airliner increased demand for the dollar in Tokyo, and led to a firm opening for the US currency in Europe.

In Tokyo the dollar attacked resistance at Y135, but finished a little below that level, falling back in late trading on profit taking, in a nervous and thin market.

Dealers regarded the lack of intervention by the Japanese central bank as confirmation that there is an agreement between the US and Japan to allow the dollar to appreciate. But in some quarters the quiet market was regarded as a wasted opportunity to stem the dollar's rise.

The West German Bundesbank was seen in the market before lunch, selling dollar's at DM1.8240. The D-Mark continued to slide against the dollar, in spite of good German trade figures, and the Bundesbank intervened to sell dollars at the Frankfurt fixing.

At the close of trading in London the dollar had climbed to DM1.8295 from DM1.8195; to Y135.40 from Y134.10; to SFr1.5230 from SFr1.5130; and to FFr6.1625 from FFr6.1330.

On Bank of England figures the dollar's exchange rate index rose to 98.5 from 97.9.

Monthly averages for major currencies against the dollar in the month of June were: sterling - $1.7772; D-Mark - DM1.7578; Japanese yen - Y127.44; and French franc - FFr5.9294.

£ IN NEW YORK

July 4	Latest	Previous Close
£ Spot	N/A-N/A	1.6980-1.6990
1 month	N/A-N/A	0.28-0.27pm
3 months	N/A-N/A	0.98-0.94pm
12 months	N/A-N/A	3.32-3.24pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		July 4	Previous
8.30	am	74.7	75.0
9.00	am	74.8	75.0
10.00	am	74.8	75.1
11.00	am	74.7	75.1
Noon		74.7	75.0
1.00	pm	74.7	75.1
2.00	pm	74.7	75.0
3.00	pm	74.7	75.1
4.00	pm	74.6	75.0

CURRENCY RATES

July 4	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.769597	0.672556
U.S Dollar	6	1.30770	1.13682
Canadian $	8.75	N/A	1.38885
Austrian Sch.	3½	16.7634	14.5945
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for July 1

CURRENCY MOVEMENTS

July 4	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

July 4	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1232.40-1242.30	728.40-734.40
Kuwait	0.47670-0.47720	0.28225-0.28235
Luxembourg	64.40-64.50	38.25-38.35
Malaysia	4.4445-4.4555	2.6200-2.6220
Mexico	3857.50-3880.25	2284.00-2296.00
N. Zealand	2.5290-2.5340	1.4955-1.4975
Saudi Ar.	6.3350-6.3410	3.7510-3.7520
Singapore	3.4845-3.4900	2.0560-2.0580
S. Af (Cm)	3.9525-3.9635	2.3335-2.3350
S. Af (Fn)	5.7580-5.8575	3.4070-3.4660
Taiwan	48.65-48.90	28.80-28.90
U.A.E.	6.2025-6.2085	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4152	+2.25	+1.15	±1.5344
Danish Krone	7.85212	7.87155	+0.24	-0.86	±1.5404
German D-Mark	2.05853	2.07356	+0.75	-0.37	±1.0981
French Franc	6.90403	6.98633	+1.19	+0.09	±1.3674
Dutch Guilder	2.31943	2.33674	+0.75	-0.35	±1.5012
Irish Punt	0.768411	0.772507	+0.53	-0.57	±1.6684
Italian Lira	1483.58	1539.26	+3.75	+3.14	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

July 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6805-1.6835	1.6825-1.6835	0.32-0.29cpm	2.17	1.01-0.96pm	2.34
Canada	2.0550-2.0710	2.0560-2.0570	0.19-0.10cpm	0.85	0.52-0.40pm	0.89
Netherlands	3.46-3.47¼	3.46½-3.47½	1⅝-1½cpm	5.40	4⅞-4⅝pm	5.55
Belgium	64.40-65.20	64.40-64.50	21-19cpm	3.72	63-59pm	3.79
Denmark	11.67-11.72¼	11.67-11.68	1⅜-⅞orepm	1.03	4⅛-3⅛pm	1.41
Ireland	1.1475-1.1495	1.1480-1.1490	0.08-0.18cdis	-1.36	0.30-0.50dis	-1.39
W. Germany	3.07¾-3.08½	3.07¾-3.08¾	1⅝-1½pfpm	5.19	4⅛-4⅛pm	4.97
Portugal	250.25-252.50	250.25-251.25	22-49cdis	-1.70	81-164dis	-1.99
Spain	204.90-205.75	204.90-205.35	5-15cdis	-0.59	6-18cdis	-0.23
Italy	2283¼-2290¼	2284¼-2285¼	par-2lire dis	-0.53	par-4dis	-0.35
Norway	11.24½-11.31¼	11.25-11.26	3-3½oredis	-3.47	7¼-7⅞dis	-2.69
France	10.36½-10.40¼	10.36¼-10.37¼	2⅞-2¼cpm	2.60	7-6½pm	2.63
Sweden	10.63-10.69	10.63½-10.64½	¼-⅝oredis	-0.49	¼pm-½dis	-0.12
Japan	227¾-228½	227¾-228¾	1⅛-1ypm	5.59	3⅛-3pm	4.91
Austria	21.60-21.70	21.60-21.65	11⅛-10⅛gropm	5.97	32⅛-29⅞pm	5.69
Switzerland	2.55¾-2.56¾	2.55¾-2.56¾	1½-1⅜cpm	6.73	4⅛-4⅛pm	6.54

Belgian rate is convertible francs. Financial franc 64.90-65.00. Six-month forward dollar 1.98-1.93cpm 12 month 3.50-3.40pm.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6805-1.6835	1.6825-1.6835	0.32-0.29cpm	2.17	1.01-0.96pm	2.34
Ireland†	1.4660-1.4725	1.4670-1.4680	par-0.10cdis	-0.41	0.10dis-0.05pm	-0.20
Canada	1.2195-1.2245	1.2210-1.2220	0.12-0.15cdis	-1.33	0.43-0.46dis	-1.46
Netherlands	2.0615-2.0630	2.0615-2.0625	0.66-0.64cpm	3.80	1.68-1.64pm	3.23
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs.

EURO-CURRENCY INTEREST RATES

July 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9⅛ per cent; three years 9⅜-9¼ per cent; four years 9⅛-9⅛ per cent; five years 9⅞-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.964	1.623	2.970	219.9	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.390	0.657	1.202	88.96	4.046	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.288	0.485	0.888	65.71	2.988	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.458	0.737	1.348	99.78	4.538	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.486	0.818	1.497	110.8	5.041	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.552	2.611	4.779	353.8	16.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts and short sterling weak

SHORT STERLING and gilt prices lost ground in yesterday's Liffe market, as investors showed a growing lack of confidence in holding sterling denominated stock. This partly reflected the pound's continued decline, and its discouraging effect on overseas investors, and also a growing perception that upward pressure on interest rates was likely to continue.

With cash rates over half way towards discounting a further rise in base rates, institutions felt less inclined to switch any of their predominantly short term cash portfolios into futures contracts.

Gilt contracts suffered as much as three-month sterling deposits, although the latter were already yielding close to 10¼ p.c. The September long gilt opened at 93-24, down from 94-01 on Friday, and sank to a low of 93-10 before finishing at 93-15, while September short sterling closed at the day's low of 89.36, down from 89.51 at the start and 89.65 on Friday. Trading volume was fairly modest, given the lack of participation from US centres - closed for Independence Day.

US Treasury bonds in London remained fairly steady after a weaker opening, and failed to derive any benefit from a stronger dollar. The September price ended at 88-23 from 88-20 at the start and 88-01 previously.

LIFFE LONG GILT FUTURES OPTIONS | LIFFE US TREASURY BOND FUTURES OPTIONS | LIFFE FT-SE INDEX FUTURES OPTIONS | LIFFE £/$ OPTIONS | LIFFE EURODOLLAR OPTIONS | LIFFE SHORT STERLING | PHILADELPHIA SE £/$ OPTIONS | LONDON SE £/$ OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE): 20-YEAR 12% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; US TREASURY BONDS 8%; FT-SE 100 INDEX; THREE MONTH EURODOLLAR; POUND-$ (FOREIGN EXCHANGE)

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX

CURRENCY FUTURES

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series			Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 36,435

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
[illegible]	[illegible]	HFC Bank plc	10	Westpac Bank Corp.	10
[illegible]	[illegible]	● Hambros Bank	9½	Whiteaway Laidlaw	10½
[illegible]	[illegible]	Heritable & Gen Inv Bk	10	Yorkshire Bank	10
[illegible]	[illegible]	● Hill Samuel	§9½		
[illegible]	[illegible]	C. Hoare & Co.	9½		
[illegible]	[illegible]	Hongkong & Shangh	10		
[illegible]	[illegible]	Lloyds Bank	10		
[illegible]	[illegible]	Meghraj Bank Ltd	10		
[illegible]	[illegible]	Midland Bank	10		
[illegible]	[illegible]	Mount Credit Corp.	10		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000+ Instant access 9.0% & Mortgage base rate. § Demand deposit 4.0%. Mortgage 9.125% - 9.5%

MONEY MARKETS

Pressure continues despite rate rise

YESTERDAY'S RISE in UK base rates to 10 p.c. was generally expected, and the timing - unlike on previous occasions - also failed to provide any surprise. The uncertainty now is whether the increase will be sufficient. Dealers argued that the Treasury has failed to stamp its authority on the market and still appears to be following rather than leading the trend in rates.

Three-month interbank money is already over half way towards discounting a further rise, being quoted at 10⅝-10½ p.c. compared with 10⅛-10⅛ p.c. on Friday. The one year rate rose to 10⅝-10½ p.c. from 10½-10⅜ p.c.

Overnight money traded as high as 10 p.c. but came away to finish nearer 3 p.c.

The Bank forecast a shortage of around £100m, with factors affecting the market including bills maturing in official hands and repayment of late assistance, together with a take-up of Treasury bills draining £197m, and Exchequer transactions as additional £310m. These were partly offset by a fall in the note circulation of £415m.

The authorities invited discount houses to use their borrowing facilities at 2.30pm, when funds would be available at 10 p.c. At the same time the Bank stressed that no offers on bills would be entertained in the morning or afternoon. The forecast was revised to a flat position, but the Bank lent £100m in the afternoon at 10 p.c.

By contrast, interest rates in Frankfurt fell back from Friday's highs, as the market responded to DM20bn being added to the system.

Allocations - at the new rate of 3.75 p.c. - more than offset an expiring facility which will drain DM15.7bn tomorrow. Dealers were encouraged by the authorities' decision to provide extra liquidity two days earlier than normal.

This provides commercial banks with two days to build up reserve requirements with the central bank. After that, the maturing facility and additional funds being drained by Bundesbank intervention in currency markets may keep short term funds well bid.

UK clearing bank base lending rate - 10 per cent from July 4

FT LONDON INTERBANK FIXING

(11.00 a.m. July 4)	3 months US dollars	6 months US Dollars
[illegible]	[illegible]	[illegible]

MONEY RATES

NEW YORK (Lunchtime)		Treasury Bills and Bonds	
[illegible]	[illegible]	[illegible]	[illegible]

July 4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

July 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Company Notices

C. ITOH & CO LIMITED

Depositary Receipts to Bearer issued by Hambros Bank Limited

[illegible]

5th July 1988

Legal Notices

SMITH WILKINSON LIMITED
Registered number: 1718410

[illegible]

ROBERT EDWARD CAUNCE COOK and DAVID JOHN STOKES
Joint Administrative Receivers
(Office holder nos 478 and 380)

Cooper & Lybrand
14 Cross Burgess Street
Sheffield
S1 1GA

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

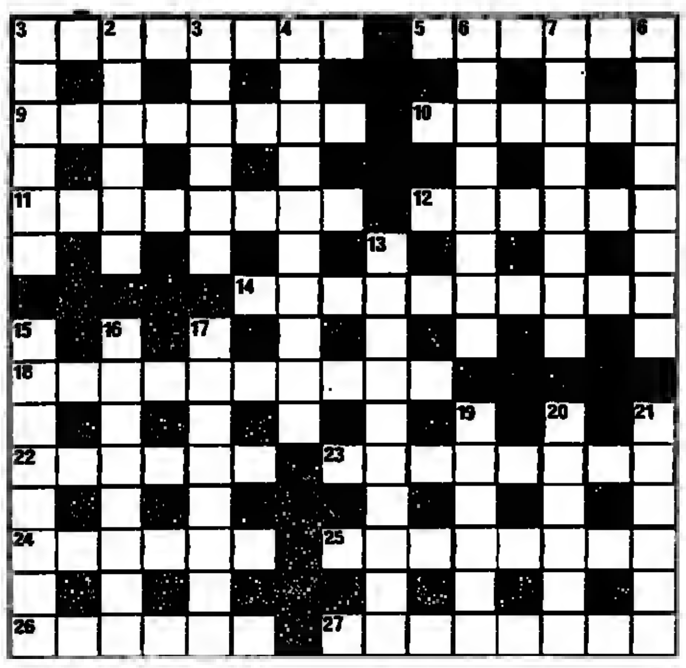
FT 30	FTSE 100	WALL STREET
Jul. 1464/1473 -24	Jul. 1831/1841 -33	Jul. 2120/2132 -17
Sep. 1465/1474 -39	Sep. 1833/1843 -51	Sep. 2126/2138 -16

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

FT CROSSWORD No.6,673

SET BY GRIFFIN



ACROSS

1 Strange girl Jack left without (8)
5 Article in parents case is a hat (6)
9 Renounce abortive bid Bill scoffed about (8)
10 Doctor inserted relative quantity (6)
11 Tyrannical coach starts following top side around (8)
12 Shoot back to sovereign vessel (6)
14 They're dancing bears, all in variety (10)
16 A couple of hundred trained police take many a confederate (10)
22 Lunatic German purchaser has a race round (6)
23 Animals are late leaving here (8)
24 Are not a brand of note (6)
25 In a terrible murder case ought to be reinforced (8)
26 Resolve to get the river police in (6)
27 When leading Conservative stopped with Rose (8)

DOWN

1 Sad organisation admits fighting for grants (6)
2 One's not covered for camping activities (6)
3 Sweetheart leaves builder for clergyman (6)
4 That may be reached at a table in assembly (10)
6 They respect doctor married before surgery started (8)
7 Ample model has a cake cooked and put on top (8)
8 Star is, while on strike, poor (8)
13 Royal pie filling being made without milk, grouse? (10)
15 Severely criticised what a striker did? (8)
16 A new MCC idea which is purely theoretical (8)
17 Injured soldiers having been brought in, I'm discharged (8)
19 One rowing about satisfactory rest break (6)
20 Clear up rubbish before burning (6)
21 Arranged in steps by aged Dr Peregrine (6)

Solution to Puzzle No.6,672

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury Bks						0296 394000
American Eagle	5	54.94	54.94	59.41	----	1.19
Australia	5	8.071	8.071	8.618	----	0.10
Commodity	5	81.83	81.83	88.09	----	1.02
Convertible	5	151.1	151.1	162.6	----	2.38
Equity	5	147.5	147.5	158.5	----	3.10
Euro Spec Sits	5	79.27	79.27	85.26	----	2.22
Financial	5	31.84	31.84	34.22	----	1.84
Global Opps Inc	5	57.93	58.29	62.68	----	1.38
Global Opps Acc	5	57.93	58.29	62.68	----	1.38
Gold Income	5	55.36	55.36	59.63	----	0.83
Gold Acc	5	102.7	102.3	109.8	----	0.83
Income	5	106.8	106.8	114.8	----	4.70
Japan	5	118.7	118.7	127.5	----	0.10
Pacific Income	5	113.8	114.2	122.6	----	0.56
Pacific Tst Inv	5	141.2	141.6	152.0	----	0.84
Preference Share	5	24.40	24.60	26.44	----	6.91
Special Sits	5	102.7	102.7	110.4	----	0.54
Technology	5	43.18	43.18	46.4	----	0.10
UK Capital	5	91.83	91.83	98.75	----	1.24
World Income	5	51.38	51.38	55.04	----	5.15
Worldwide Capital	5	146.6	147.2	158.3	----	1.13
Equity Exempt	5	111.6	111.6	118.9	----	1.53
Equity Exempt Acc	5	212.7	212.7	226.4	----	1.53
Templeton Investment Mngmt						
20 Copthall Avenue, EC2R 7PA						01-588 6064
Intl Pen & Ch'ties			90.9	94.7	----	---
Thornton Unit Managers Ltd (1600)F						
33 Cavendish Sq., London W1M 7HF						01-493 7262
Dealing 01-493 8545						
American Opps	5	43.12	43.12	43.09	+0.17	1.26
(Accum Units)	5	42.02	42.02	44.65	+0.18	1.26
European Opps	5	42.55	42.65	45.51	+0.22	1.03
(Accum Units)	5	42.78	42.90	45.76	+0.22	1.03
Far Eastern Opps	5	86.67	86.67	92.00	+0.34	0.45
(Accum Units)	5	86.94	86.94	92.57	+0.35	0.45
Golden Opps	5	37.09	37.09	39.41	+1.49	1.14
(Accum Units)	5	37.53	37.53	39.66	+1.49	1.14
Intl Hi-Yield	5	46.73	46.73	49.81	-0.19	4.02
(Accum Units)	5	46.61	46.61	49.52	-0.19	4.02
Japanese Opps	5	58.24	58.24	61.88	-0.13	0.91

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt. M & G Inv Mngt Ltd				
AA Friendly Sy Jun 10		139.4	----	---
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth				0202 292373
Prop. Ser. 1	241.7	254.5	----	---
Equity Ser. 1	115.6	121.7	-0.7	---
Prop. Acc. Ser 2	358.0	368.5	----	---
Equity Ser 2	131.2	138.2	-0.7	---
Selective Acc	284.3	299.3	-0.2	---
Prop. Ser. 4	275.5	290.0	----	---
Equity Ser. 4	133.3	140.9	-0.6	---
Fixed Int. Ser. 4	208.8	219.9	-0.5	---
Indexed Inv. Ser. 4	120.6	127.0	+0.2	---
American Ser. 4	268.1	282.3	+0.7	---
High Inc. Ser. 4	378.4	398.4	+1.6	---
Japan Ser 4	272.5	286.9	-3.3	---
Man. Ser. 4	373.2	392.9	-0.5	---
Money Ser. 4	216.0	227.4	----	---
European Ser 4	93.1	98.0	+4	---
Pension Funds				
Property	464.7	489.2	----	---
Equity	949.9	999.9	-4.0	---
Selective	302.6	318.6	-0.7	---
Managed	680.0	715.8	-1.3	---
Security	395.6	416.5	----	---
Fixed Int.	233.0	245.3	-0.6	---
European	127.7	134.5	+0.8	---
American	222.4	234.2	+0.7	---
Japan	290.6	305.9	-4.3	---
Indexed	127.9	134.7	+0.3	---
International	146.5	154.0	+0.3	---
Ethical	102.2	107.6	+0.4	---
High Income	100.7	106.1	+0.3	---
Abtrust Management Ltd				
20, Chiswell St, London, EC1Y 4TY				01-374 6801
Managed Growth	302.74	318.68	----	---
Managed Income	134.91	142.02	----	---

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	269.1	283.3	—	–
Man Pens Inc & Cap Fds	344.7	362.9	—	–
Money Fund	112.9	150.9	—	–
Pens. Mngd Fd (Unit)	90.1	94.9	—	–
Pens Mngd Fd (Acc)	103.2	108.7	—	–
Pens FT30 Fd (Unit)	129.0	135.0	—	–
Pens FT30 Fd (Acc)	147.8	155.6	—	–
Pens O'seas MgFd(Unit)	59.0	63.0	—	–
Pens O'seas MgFd(Acc)	68.5	72.2	—	–
Pens Fxd Int Fd (Unit)	106.2	111.0	—	–
Pens Fxd Int Fd (Acc)	121.7	128.2	—	–
Pens Deposit Fd (Unit)	101.5	106.9	—	–
Pens Deposit Fd (Acc)	116.3	122.5	—	–
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	103.0	109.0	+1.0	–
Building Soc. Fd	162.0	171.0	—	–
Balanced	245.0	258.0	+1.0	–
Deposit	161.0	170.0	—	–
European	130.0	137.0	+2.0	–
GT Managed	153.0	162.0	—	–
Gartmore Mngd	103.0	109.0	—	–
German	92.0	97.0	—	–
Gilt	167.0	176.0	—	–
High Inc	124.0	120.0	—	–
International Equity	158.0	167.0	+1.0	–
Japan	219.0	231.0	—	–
Managed	55.0	58.0	—	–
Property	258.0	272.0	—	–
R. W. Imperial Gold	132.0	139.0	—	–
UK Equity	323.0	340.0	+2.0	–
Pension Funds				
American	128.0	135.0	—	–
Building Soc. Fd	153.0	162.0	—	–
Balanced	188.0	198.0	—	–
Deposit	151.0	159.8	—	–
European	125.0	132.0	—	–
GT Managed	164.0	173.0	—	–
Gartmore Mngd	99.0	105.0	—	–
German	87.0	92.0	—	–
Gilt	141.0	149.0	—	–
International Equity	117.0	124.0	—	–
Japan	130.0	137.0	—	–
Managed	58.0	58.0	—	–
Property	196.0	207.0	—	–
UK Equity	281.0	296.0	—	–
Prolific Life & Pensions Ltd (z)				
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733				
Balanced Gwth Mngd	517.3	545.2	+0.1	–
Cash Fd	217.7	229.6	+0.0	–
Property Fund	259.2	273.2	+0.0	–
Equity Fund	569.1	599.7	+0.4	–
Fxd Int Fund	286.4	301.0	+0.3	–
International	260.3	274.3	+1.8	–
High Income	417.7	440.2	-2.4	–
Far East	372.0	395.0	+1.1	–
North American	233.4	246.0	+1.5	–
Special Sits	517.4	545.3	+0.2	–
Technology	236.3	249.0	+0.0	–
Extra Inc Fd	241.3	254.3	-0.9	–
Convertible & Gilt Fd	148.9	137.0	+0.1	–
American Income	107.9	113.8	+0.0	–
Gilt Fund 20	292.4	311.1	+0.2	–
European Fund	83.1	87.6	-0.4	–
Pref & Fixed Int	96.6	101.8	+0.2	–

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Yield Int.	Yield Red.
Redemption 3pc 1986–96	3.03	6.99
Treas. 9½pc '88	9.52	10.01
Treas 11½pc 1989	11.41	10.16
Treas 9½pc Cnv 1989	9.53	9.88
Treas 3pc 1989	3.09	6.64
Treas 10½pc 1989	10.46	10.09
Exch. 10pc 1989	10.01	10.11
Exch 11pc 1989	10.90	10.11
Treas 5pc 1986–89	5.20	8.16
Exch 10¼pc Cv '89	10.21	9.87
Treas 13pc 1990‡‡	12.49	10.02
Exch 11pc 1990‡‡	10.86	10.06
Exch. 12½pc 1990	12.05	10.03
Treas. 3pc 1990	3.25	7.55
Treas 8¼pc 1987–90‡‡	8.45	9.61
Treas. 8pc Cv 1990‡‡	8.21	9.38
Treas. 10pc Cv 1990	10.01	10.04
Exch 2½pc 1990	2.80	7.41
Treas 11¾pc 1991	11.34	10.05
Funding 5¾pc '87–91‡‡	6.18	8.66
Treas. 3pc 1991	3.39	7.55
Treas 10pc Cv '91‡‡	9.96	9.25
Exch. 11pc 1991	10.71	10.00
Treas. 8pc 1991	8.46	9.91
Treas 12¾pc 1992‡‡	11.78	9.93
Treas 10pc 1992	9.98	9.93
Treas. 8pc 1992‡‡	8.49	9.83
Treas 10½pc Cv 1992‡‡	10.34	9.97
Treas. 3pc 1992	3.56	7.69
Exch. 12¼pc '92	11.41	10.01
Exch 13½pc 1992	12.10	10.04
Treas 8¾pc 1993	8.78	9.90
Treas 10pc 1993‡‡	9.97	9.90

Five to Fifteen Years

Stock	Yield Int.	Yield Red.
Treas 12½pc 1993‡‡	11.37	9.92
Funding 6pc 1993‡‡	6.68	8.44
Treas 13¾pc 1993‡‡	11.92	9.98
Treas. 8½pc 1994	9.02	9.86
Treas 14½pc 1994‡‡	12.05	9.94
Exch 13½pc 1994	11.77	10.07
Treas. 10pc Ln. 1994‡‡	9.94	9.85
Exch. 12½pc 1994	11.26	10.04
Treas 9pc 1994‡‡	9.39	9.73
Treas 12pc 1995	10.99	10.04
Exch 3pc Gas 90–95	3.81	6.96
Exch. 10¼pc 1995	10.11	9.97
Treas 12¾pc 1995‡‡	11.18	9.99
Treas. 14pc '96	11.68	10.16

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for ...

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

World Natural Resources

	Price		
NAV July 1	9.89		—

Yamaichi Capital Mngt (Guernsey) Ltd

	Price	+/-	
Japan Meta Growth	$12.56	−0.14	—
Yamaichi DDI Fund	$11.724	−0.21	—
Thai Inv Fd	$9.94	.....	—

Yamaichi Dynamic Mngt Co SA

	Price		
Advanced Tech	$26.40	.....	—
Dynamic Grth Fd	$28.32	.....	—

Money Market Trust Funds

Charities Aid Fndtn Money Mngmt Co Ltd

Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461

	Gross	Net	Gr Equiv CAR	Int Cr
CAFCASH Call Fund	7.96	6.11	8.33	3-mth
CAFCASH 7-day Fund	7.95	6.10	8.52	3-mth

The Charities Deposit Fund

2 Fore Street, London EC2Y 5AQ 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	10.00	—	8.24	3-Mth

Gartmore Money Management Ltd

61 Queen St, London, EC4R 1PH. 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	8.06	6.19	8.39	6-Mth
7-day Fund	7.93	6.09	8.24	6-Mth
Dollar	6.56	5.03	6.83	3-Mth

Money Market Bank Accounts

AAB-Allied Arab Bank Ltd

97-101 Cannon St, London, EC4N 5AD 01-629 6802

	Gross	Net	Gr Equiv CAR	Int Cr
HICA, HICMA	10.00	7.68	10.60	Mth

Adam & Co. plc

22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484

	Gross	Net	Gr Equiv CAR	Int Cr
Full Service Cur Acc	8.00	6.10	0.32	Qtr

Aitken Hume

30 City Road, EC1Y 2AY 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc	0.75	6.72	9.19	Qtr

Bank of Ireland

Bank of Scotland

Barclays Prime Account

Beneficial Trust Ltd

Brown Shipley & Co Ltd

Chartered House Ltd

Citibank Savings

Clydesdale Bank PLC

Co-operative Bank Tier

Dartington & Co Ltd

Financial & General Securities Ltd

Gartmore Money Management Ltd

Girobank plc High Interest Savings

Greyhound Inv Mngrs/Allied Irish Bank

Humberclyde Finance Group

Lloyds Bank High Interest Cheque Account

M & G/Kleinwort Benson

Midland Bank plc

M.I.M. Britannia Ltd

NatWest Special Reserve Account

Phillips & Drew Trust Ltd

Provincial Bank PLC

Royal Bank of Scotland plc

Save & Prosper/Robert Fleming

Tyndall & Co Ltd

J. Henry Schroder Wagg & Co Ltd

Western Trust & Savings Limited

Wimbledon & South West Finance Co Ltd

NOTES—Gross rate to those eligible for payment of tax. Net after deduction of CAR. Gr Equiv CAR: Gross equivalent compounded annual rate...

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated...

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
58¼	43½	Time Inc. $1	55¼xd	–1⅞	$1.00	–	1.1
20¾	15⅞	Transamerica $1	16⅞xd	–⅛	$1.84	–	5.6
10⅞	754p	Transworld Corp $5	10⅝	–¼	20c	–	1.1
20¼	14½	TRINOVA Corp.	17⅜xd	–¼	56c	–	1.9
19	13½	USX $1	18⅞	–⅜	$1.20	–	3.8
23	17⅝	Utd Technologies	22¼xd	+⅛	$1.60	–	♦1
33¼	26¼	US West‡	13⅛	+⅛	$3.52	–	6.2
21¼	16⅞	Waste Management $1	21xd	+⅛	48c	–	1.3
16⅞	12⅞	Whirlpool $1	16¾	–⅛	$1.10	–	3.9
32⅞	18¼	♦Woolworth $3½	30½	–⅛	$1.64	–	3.2

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

For Accts see Paper, Printing Advertising

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

مکانی فرد

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1988 High	Low	Stock	Price	+ or –	Div Net	C'w	Y'ld Gr's	P/E
[illegible]	63	ASB Barnett 2p γ	92	+2	–	–	–	–
[illegible]	18	Amercoal Energy 10p γ	20	+2	–	–	–	–
[illegible]	63	Andaman Res. 10p γ	73	…	–	–	–	–
2½	1¼	Barbican Hldgs. 1p γ	1¼	–¼	–	–	–	–
[illegible]	57	Beckenham Grp. 5p γ	81xd	+1	†1.25	4.2	2.1	15.4
[illegible]	152	Broadcast Comms γ	180	…..	–	–	–	–
[illegible]	85	Camotech 10p γ	102	…..	†2.06	1.8	2.7	28.2
[illegible]	110	Chelsea Artisans 5p γ	122	+2	1.0	◆	1.1	◆
[illegible]	30	ChemEx Intl γ	53	…..	–	–	–	–
[illegible]	65	Comac Group 5p γ	98	–5	1.25	◆	1.7	◆
[illegible]	120	Crown Eyeglass 5p γ	132	…..	–	–	–	◆
[illegible]	10½	Eglinton Explo. 5p γ	11	…..	–	–	–	–
[illegible]	4	Do. Warrants γ	4	…..	–	–	–	–
143	93	Far East Res. 10p γ	120	…..	–	–	–	–
70	45	Feltrim Min.Ir0.20 γ	45	…..	–	–	–	–
40	22	Honorbill Group 5p γ	36	+1	–	–	–	30.3
56	41	Kemp (P.E.) 5p γ	44xd	+½	†1.5	2.8	4.3	11.1
66	58	LGW 5p γ	63	…..	Q2.0	2.1	4.2	15.0
103	66	Leading Leisure 5p γ	98	…..	1.2	3.7	1.6	20.0
65	40	Lynx Tech. 5p	45	…..	0	–	–	5.2
270	106	M.L. Laboratories 1p γ	270	+5	–	–	–	–
133	89	Medirace 10p γ	130	+1	–	–	–	–
11½	6½	Moray Firth 1p γ	11	…..	–	–	–	–
38	16	Norton Group 5p γ	17	…..	–	–	–	–
59	36	Ovoca Gold IR 2p γ	40	…..	–	–	–	–
38	19	Pennant Grp. 2p γ	33	…..	d0.2	–	0.8	–
60	33	Propeller 1p γ	58	–2	–	–	–	◆
31	13	Publishing Hldgs. 5p γ	18	…..	–	–	–	10.8
207	150	Royal Sovereign Grp 10p	205	…..	4.6	1.9	3.0	19.2
26	22½	Scott Pickford 10p γ	24½	…..	3.1	0.7	16.9	11.7
80	68	Seacon Hldgs γ	76	…..	–	–	–	–
27	18	Stakis Hldgs. 5p γ	22	…..	–	–	–	◆
4½	3	Swanyard Studios 1p γ	3¼	…..	–	–	–	◆
270	200	Takare γ	263	…..	b1.0	8.1	0.5	27.0
70	41	Theme Holdings α	64	+1	‡1.1	◆	2.3	◆
36	26	Tomorrows Leisure 20p γ	31	…..	–	–	–	12.4
25	13½	Tullow Oil 10p γ	20	+2	–	–	–	–
135	118	UPL Group 10p	[illegible]	…..	†2.41	◆	2.7	◆
[illegible]	120	Unit Group	[illegible]	+4	5.0	◆	4.5	◆
[illegible]	85	Video Tape Record 5p	[illegible]	+1	†2.3	2.3	3.1	14.1

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- * "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ⁴ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ‡ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- L No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	70	……
Craig & Rose £1 γ	700	……
Finlay Pkg. 5p γ	85	……
Holt (Jos) 25p γ	£11½	……

IRISH

Nat. 9¾% 84/89	£100¾	……
9pc Cap Ln. 1996	£98¾	……
Fin. 13% 97/02	£119	……
Arnotts γ	380	……
CPI Hldgs γ	117	……
Carroll Inds γ	151	–1
Hall (R. & H.)	162	+2
Helton Hldgs γ	51	……
Irish Ropes γ	185	……
Unidare γ	420	……

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	95
Amstrad	16
BAT	36
BOC Grp.	34
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	58

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	48
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Gilts and Equities give ground in uneasy trading as base rates rise once again

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 20	Jun 30	Jul 1	Jul 11
Jul 4	Jul 14	Jul 15	Jul 25
Jul 18	Jul 28	Jul 29	Aug 8

*New time dealings may take place from 9.00 am two business days earlier.

DOMESTIC INTEREST rate prospects continued to dominate UK securities markets yesterday as London waited nervously for Wall Street to return from the Independence Day break and make its response to the dire turn of events in the Gulf.

Oil shares moved uncertainly when crude prices failed to sustain early gains and traders tried to assess the implications of the accidental downing of an Iranian airliner by a US warship.

The Bank of England's decision to push UK base rates higher for the fifth time in a month failed to quell inflation concern. The latest rise in rates is expected to feed through quickly to mortgage loans, delivering a further upward twist to inflation. UK retail sales for May, disclosed yesterday, showed a gain of 0.3 per cent, slightly above market predictions.

With the pound no better despite the half point rise in base rates to 10 per cent, Government bonds extended the day's losses in late trading. Equities, although finally above their worst levels, were very thinly traded and proved vulnerable to a clutch of small "sell" programmes.

The day started uncomfortably when County NatWest WoodMac, voicing wider doubts in the bond market, warned that, "10 per cent base rates will be insufficient to restore confidence in the authorities' control over inflation".

Such views quickly filtered through to share prices which took a turn for the worse at midmorning when the market convinced itself that the authorities would go for a full point increase in base rates. The downturn deepened when a major broker took on a sell portfolio, and hedged by selling the FT-SE September futures contract.

The market cheered up a little when the Bank signalled that once again a half point base rate rise would suffice, and rallied from its 16 point fall on the FT-SE scale.

There was little substance to the rally, however. Turnover was woefully slight and for all its concentration on domestic interest rates, London was very nervous ahead of the re-opening of Wall Street this afternoon, and of its response to the serious developments in the Gulf.

The FT-SE 100 Index closed finally 10.2 down at 1848 in the face of a second, small, "sell" programme. Seaq turnover of 370m shares confirmed the sluggish tone of the market.

What little selling there was of Government bonds largely took place before the base rate news. Prices steadied momentarily, expecting the pound to rally, but slipped away again as sterling returned towards the day's lows.

Short dated Gilts fell by ¼, putting yields just over 10 per cent. Mediums shed ⅜ and long-dated up to ⅝. Index-linked Gilts were marked higher, and then back to their earlier levels. Higher real yields on conventional bonds reduce the attractions of index-linked issues.

BP "old" drew support late in the day and moved up 1½ to 254p on turnover of 3.6m but the "new", or partly-paid, dipped a penny to 59½p with turnover expanding rapidly to 11m as at least two UK investment houses took the view that the "new" were expensive relative to the "old".

Kleinwort Grieveson says the new should be at a 10 per cent discount to the old because of the current weakness of oil prices, and the fact that the Kuwait Investment Office stake is predominantly made up of "new" shares. The next 105p payment on BP new is due on August 30.

Vague talk of a cash-raising exercise to fund possible expansion in the Beryl field triggered persistent selling of Enterprise in mid-session with the shares *retreating to 465p before closing a* net 12 off at 469p.

International stocks were initially subdued by worries over the Middle East and traded lower in advance of the interest rate rise. The Wall Street holiday meant there was no US buying to lead the market higher, although the strength of the dollar on the foreign exchange markets boosted sentiment for dollar earners. Marketmakers commented that trading was dominated by brokers adjusting their positions at the start of the account. ICI ticked ⅛ better to 210⅞, but was hardly traded, with just over ½m shares troubling the system. BOC announced the completion of its US disposal and ran into light profit-taking, falling 6 to 436p in turnover of 2.1m shares.

Glaxo fell back 5 to 985p as a mere 300,000 shares was traded, while London International Group ended 6¼ lower at 258p after going ex-dividend. Beecham gave up 6 to 460p in turnover of 3m shares. Rothmans International was down 8 at 424p despite news of plans by Rembrandt Group of South Africa, its effective parent company, to create a European-based vehicle. BAT Industries shaded 3 to 421p in turnover of 1.2m shares.

Yale & Valor continued last week's excellent run and the shares opened 30 better at 418p. Midday press comment appeared to confirm that Williams Holdings had a 4.9 per cent stake, but Mr Michael Montague, Y&V chairman, said, "I have had no such confirmation and am continuing my paperchase by serving 212 notices on nominee buyers." Mr Tim Allen, corporate finance director at Williams Holdings, maintained his stance of last week, saying "We have no comment to make on market rumours or Press speculation". Williams Holdings ended at 290p, down 4 on the day, while Y&V closed at 413p, a gain of 25p.

Dealers reported slightly reduced turnover yesterday, estimating trade at around ½m shares. Warburg Securities began making a market in the shares, bringing the number of dealers to four. A Warburg spokesman said the decision had been made partly to serve in-house business and partly because of increased interest in Y&V shares. He added that this had no connection with the recent appointment of SG Warburg, the merchant bank, as advisers to Y&V in the event of a bid.

Rover, the UK car group, edged up a few pence to 58p in the wake of 8 weekend Press articles suggesting that the European Commission is under pressure to block BAe's bid for the company in order to pave the way for an offer from Volkswagen of West Germany. A spokesman for Volkswagen, however, was reported yesterday to have denied that VW was interested in taking over Rover.

Ranks Hovis McDougall domi*nated the Foods sector, closing 9* better at 408p after turnover of 2.9m shares. Rumours about the Goodman Fielder stake abounded, with Hong Kong company Hutchison Whampoa said to be the favourite to take the holding.

Dee Corporation was unchanged at 190p after selling its cash and carry subsidiary Linfood to Booker for £90m. Booker by contrast gave up 22 to 388p as the market reacted to news of its first rights issue since 1961. Asda responded to weekend Press comment by gaining 5 to 152p, with 4.9m shares changing hands. A Morgan Stanley recommendation suggested switching out of Sainsbury and Tesco into Asda and Argyll, but Argyll failed to react, falling 3 to 182p in turnover of 5.3m shares. Tate & Lyle enjoyed a late run, closing at 843p, a gain of 7 on the day - a short position in the market was thought to have caused the rise.

AB Foods closed down 8 at 286p as the shares went ex-dividend, while Northern Foods also went ex-div and fall 5 to 299p.

The clearing banks remained firmly in the doldrums despite the latest hike in base rates. Hopes that the interim reporting season, which kicks off on July 26 with figures from NatWest, could be preceded by another run in the big-four's share prices, were quickly dashed as sellers appeared at the outset.

First National Finance were 2½ off at 244p ex-dividend, after *Provident Mutual Life revealed it* had increased its stake to 10.46 per cent.

The Irish banks continued their recent upward move - triggered by currency trends - with Allied 4 harder at 224p and Bank of Ireland 3 to the good at 245p.

Life assurance stocks came under sustained selling pressure after the substantial gains recorded in recent weeks. Legal and General attracted a turnover of 4.8m and, having initially fallen to 310p amid persistent profit-taking, picked up strongly to close a net 7 to the good at 230p.

Composite insurers included a couple of firm stocks, most notably General Accident, a shade better at 885p after a positive note from BZW which advised clients to "take the opportunity to switch into the relative safety of General Accident, a major benefi*ciary of strength* in the dollar and equity market this year."

Insurance brokers were heavily supported as sterling gave ground against the dollar. Sedgwick rose 3 to 233p and Willis Faber jumped 6 to 266p. Macarthy shares went ex-dividend, but gained a penny to 226p.

In a dull Stores sector Harris Queensway featured with a rise of 7 to 173p on turnover of 6m after weekend Press reports that James Gulliver will announce a 190p bid on Wednesday. While some market-makers felt that this was a touch optimistic, most agreed that 190 represents a "knockout" offer which Sir Philip Harris, who holds 19 per cent of his company's stock, and GUS, which holds 23 per cent, will be unable to resist. Despite GUS's holding, the "A" shares ended the day 5 easier on 1033p.

Storehouse dropped 11 to 249p after announcing a 6p dividend, Burton eased 6 to 225p on interest rate worries, while Courts "A" closed 8 down on 225p.

GEC were the biggest trading electronics stock - 8.9m changed hands - and the shares edged forward throughout the session to close a net 3¼ up at 159½p following weekend reports that the company's GPT telecommunications joint venture is set to supply advanced telecoms equipment to the Soviet Union.

Plessey, GEC's joint venture partner, touched 160p before closing unchanged at 158p. Sentiment in GEC was additionally boosted by reports that the company is to request shareholder permission at the annual meeting in September to buy in up to 15 per cent of the company's shares during the next year.

The prospect of higher mortgage rates prompted an easier trend in the Building sector, but the volume of trade was barely sufficient to test sentiment. Housebuilders to record falls of around 4 included Barratt Developments, 185p, Crest Nicholson, 223p, and Wimpey, 242p. Blue Circle gave up 5 to 426p among Cements.

Elsewhere, Stanley Miller reacted sharply to 175p in belated response to news that Helical Bar had sold its 5.1 per cent stake in the company, before staging a good recovery to close only 7 off at 186p.

The day's one new issue, City of London PR, had a quiet debut after opening at 98p (it was placed at 95p). Early interest pushed the price up to a peak of 108p before drifting back on thin volume to close at 102p.

Rolls-Royce, up a shade at 132p, enjoyed a fairly brisk trade (2.3m shares changed hands) amid talk that Cathay Pacific is about to order 12 Airbus A320 airliners powered by Rolls-Royce engines. British Aerospace, however, traded quietly, nudging a few pence higher at 415p. Vosper Thornycroft turned easier as a few sellers appeared and ran back 7 to 205p; the preliminary figures are due today.

Reed Executive responded to preliminary figures of £10.5m compared with £6.5m with a rise of 8 to 225p. Also reflecting satisfactory trading statements, Vinten advanced 10 to 160p, while Gestetner firmed 4 to 205p. Confirmation of the sale of Koppers Chemicals for $660m left C.H. Beazer a couple of pence firmer at 187p, after touching 190p at one stage. Granada, scheduled to reveal interim results today, edged up a couple of pence to 320p in a volume of some 1.3m shares. Analysts forecasts range from £57m to £60m. Smith and Nephew, boosted last week by stakebuilding speculation, eased to 135½p before closing a penny off on the day at 136½p; the volume of trade at 5.1m remained high.

Laing Properties gained 11 to 511p after speculation in the weekend press that Elliot Bernerd's private property operation, Chelsfield, was building up a significant stake. Laing was also boosted by news that it had completed the acquisition of the Dunhams Court industrial estate in Letchworth, bought from Helical Bar for £3.7m. Priest Marians also bucked the trend to improve 8 to 385p on news that the company was seeking shareholders' approval to buy-in 10 per cent of its own shares.

Those stocks that have done well in the past few weeks came under selling pressure - Greycoat eased 7 to 460p, Land Securities dropped 7 to 561p, and Rosehaugh closed 9 worse on 745p.

In the Shipping sector Walter Runciman featured with a 5 point rise to 331p after it was rumoured Telfos, the metal products concern, had bought another 25,000 shares. Telfos launched an unwanted £28.5m bid for Runciman last month.

It was a particularly quiet day on the Traded Options market, with only a 2¼-hour computer failure to create excitement. Only 19,055 contracts were traded in total, made up of 14,824 calls and just 4,231 puts. The most popular stock was Racal, with 1,076 calls and 270 puts, followed by Land Securities, which notched up 694 calls and 451 puts.

Traditional Options

● First dealings June 27
● Last dealings July 8
● Last declarations Sept 29
● For Settlement Oct 10

For rate indications see end of London Share Service

Stocks to attract money for the call included Boots, Pleasurama, C Baynes, Norfolk Capital, Life Sciences, British Petroleum partly-paid, T. Cowie, United Biscuits, British Gas, Scottish and Newcastle, Smith and Nephew, and Inchcape. Puts were arranged in Jaguar, Epicure, S. Miller, Ashley Industrial Trust and Pleasurama, while double options were transacted in Astra Holdings and Pleasurama.

FINANCIAL TIMES STOCK INDICES

	July 4	July 1	June 30	June 29	June 28	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.54	87.82	87.92	87.94	88.08	90.45	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.24	97.53	97.56	97.60	97.61	97.28	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♦	1478.3	1485.1	1483.2	1479.7	1477.4	1830.8	1496.7 (23/6)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	213.1	208.4	207.2	207.1	210.7	376.2	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.53	4.51	4.52	4.53	4.49	3.14				
Earnings Yld. % (full)	11.55	11.48	11.51	11.56	11.52	7.56				
P/E Ratio (net)(*)	10.54	10.60	10.57	10.53	10.58	16.32				
SEAQ Bargains (5pm)	23,821	29,412	24,045	22,105	23,905	60,584				
Equity Turnover (£m)	-	1263.14	1146.05	908.61	960.54	1419.53				
Equity Bargains	-	30,345	25,494	24,111	28,208	57,232				
Shares Traded (ml)	-	498.7	432.9	400.9	440.1	771.4				

S.E ACTIVITY

Indices	July 1	June 30
Gilt Edged Bargains	188.9	122.0
Equity Bargains	196.6	165.2
Equity Value	2553.1	2316.6
5-Day average		
Gilt Edged Bargains	132.0	116.6
Equity Bargains	171.4	168.4
Equity Value	2119.1	2683.5

♦ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1480.5	1482.4	1480.6	1475.3	-	1473.3	1475.9	1477.2

Day's High 1483.2 Day's low 1473.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil-10.44.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (94).

BRITISH FUNDS (1) Treas. 2pc IL 1996, AMERICANS (12) BANKS (3) Allied Irish, Bank Ireland, Deutsche Bank, BUILDINGS (7) Ashtead Group, Chas Dandy A, Higgs & Hill, Lafarge Cop., Phoenix Timber, Tilbury Group, Wilson Bowden, CHEMICALS (2) Akzo, Novo Inds., STORES (2) Cantors "A", Miller & Santhouse, ELECTRICALS (3) Kewill Systems, Philips Lamp, Radamec, ENGINEERING (4) Cohen (A.), SKF AB, Thyssen, Wellman, FOODS (2) BSN, Goodman Fld. Wat, RHM, INDUSTRIALS (19) Alfa-Laval AB "B", Amer. Bus. Systems, Barrett (Henry), Billam (J.), Davis Group, Ekard AB, Hafto Homes & Gdns, Halma, Keep Trust, RCO, Reed Exec., Reamore, St. Gobain, Securicor Grp., Do. "A" NV, Security Services, Sitox, Baa.Group, Wilkes (J.), Yale & Valor, INSURANCE (3) Allianz AG, Sun Life, Torchmark, LEISURE (4) Awesch, Cityvision, Expedier Leis., Molinare Vision, MOTORS (1) Western Motor, NEWSPAPERS (2) Haynes Pub., Home Counties, PAPERS (2) Goodhead Print, Walkers Brown, WPP Print, PROPERTY (3) de Morgan, Laing 8½pc Ln. 2000-05, Waterglade Int'l., SHIPPING (2) Fisher (J.), Mersey Dk. Units, TRUSTS (8) Eng. & Int. Wrnts., India Fund, London Trust Wrnts., Overseas Inv. Tst. Wrnts., Second Market Inv., Candover Inv., Halsas Inv., Silverthorn, OILS (1) Gulfstream, THIRD MARKET (2) ABB Barnes, M.L. Labs.

NEW LOWS (67).

BRITISH FUNDS (39) LOANS (12) CHEMICALS (1) Chemoxy, STORES (2) Menzies, Usher (Frank), ELECTRICALS (1) Contl Microwave, ENGINEERING (1) Davies & Met., FOODS (1) Argyll Group, INDUSTRIALS (3) Castleway Inds., Hewitt Whiting, Waterman Partnership, PAPERS (2) ATA Selection, Fairway, SHIPPING (1) Hogg Robinson, TRUSTS (2) River & Merc. Am. Inc. Tst.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	4,900	General Accident	959	Prudential	2,500
Allied-Lyons	418	General Elect.	8,900	Racal	817
Amstrad	1,000	Glaxo	414	Rank Org.	632
Argyll Group	5,300	Globe Investment	444	RMC	106
Assoc. Brit. Foods	170	Granada	1,300	RHM	2,900
BAA	2,300	Grand Met	1,000	Reckitt & Colman	50
BAT	1,200	GUS "A"	163	Redland	53
BET	1,700	Guardian R.E.	211	Reed Intl.	930
BICC	250	GKN	554	Reuters "B"	161
BOC	2,100	Guinness	496	RTZ	956
BPB Inds	34	Hammerson	278	Rolls-Royce	2,300
BTR	1,500	Hanson	2,000	Rothmans "B"	519
Barclays	2,100	Hawker Siddeley	1,100	Rowntree	42
Bass	195	Hillsdown Holdings	1,300	Ryl Bank Scotland	204
Beecham	3,000	IMI	356	Royal Insurance	1,600
Blue Arrow	1,400	ICI	561	STC	192
Blue Circle	669	Inchcape	1,000	Saatchi & Saatchi	223
Boots	1,800	Jaguar	1,900	Sainsbury	638
Brit. Airways	2,900	Ladbroke	204	Scott & Newcastle	187
Brit. Aerospace	881	Land Securities	616	Sears	3,600
Brit. & Comm.	377	Laporte	239	Shell Transport	1,000
British Gas	5,400	Legal & General	4,800	Smith & Nephew	4,800
BP	3,600	Lloyds Bank	516	Standard Chartered	49
Brit. Telecom	4,200	LASMO	2,300	Storehouse	653
Burmah Oil	841	Lonrho	895	Sun Alliance	244
Burton	2,700	Lucas	246	T & N	281
Cable & Wireless	1,500	MEPC	127	TSB	3,200
Cadbury Schweppes	1,800	Marks & Spencer	1,400	Tarmac	444
Coats Viyella	254	Maxwell Comm.	668	Tesco	1,500
Commercial Union	807	Metal Box	716	THORN EMI	349
Cons. Gold	26	Midland Bank	951	Trafalgar House	2,200
Cookson	511	NatWest Bank	1,000	Trusthouse Forte	1,800
Courtaulds	290	Next	1,000	Ultramar	1,600
Dalgety	236	Northern Foods	360	Unilever	1,300
Dee Corporation	1,000	Pearson	178	United Biscuits	480
Dixons	922	Pearl Group	214	Wellcome	434
English China Clays	70	P & O	477	Whitbread "A"	3,000
Enterprise Oil	1,400	Pilkington	935	Williams Holdings	523
FKI Babcock	1,300	Plessey	1,000	Wimpey	352
Fisons	1,100			Woolworth	808

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	102	4
Corporations, Dominion and Foreign Bonds	2	29	21
Industrials	310	488	777
Financial and Properties	108	191	353
Oils	14	45	49
Plantations	2	1	10
Mines	52	41	98
Others	57	72	124
Totals	552	969	1,436

FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Jul 4 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Jul 1 Index No.	Thu Jun 30 Index No.	Wed Jun 29 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	790.11	-0.2	10.81	4.80	12.39	13.72	791.67	789.99	788.67	984.77
2	Building Materials (29)	1082.35	-0.5	11.17	4.21	10.99	18.34	1087.70	1085.93	1088.40	1280.96
3	Contracting, Construction (35)	1593.90	-0.3	10.32	3.37	12.67	26.35	1599.49	1595.48	1592.81	1887.02
4	Electricals (12)	2072.98	-0.4	9.31	4.81	13.58	48.13	2080.48	2066.82	2054.99	2573.29
5	Electronics (31)	1714.44	+0.3	9.77	3.47	13.15	21.30	1708.83	1701.30	1785.44	2138.92
6	Mechanical Engineering (56)	410.52	-0.2	9.53	4.26	13.10	8.05	411.45	410.18	406.54	524.82
8	Metals and Metal Forming (8)	474.90	-0.4	10.66	3.84	12.28	7.95	476.84	476.88	473.93	565.90
9	Motors (14)	279.29	+0.7	11.71	4.59	9.89	5.22	277.40	278.19	278.69	377.66
10	Other Industrial Materials (23)	1316.61	-0.5	8.80	4.39	13.52	25.61	1323.62	1322.95	1314.96	1638.65
21	CONSUMER GROUP (187)	993.28	-0.5	8.91	3.53	14.10	14.74	1002.87	998.50	993.44	1257.43
22	Brewers and Distillers (21)	1118.64	-0.7	10.64	3.61	11.81	15.97	1126.36	1119.00	1115.82	1245.82
25	Food Manufacturing (23)	985.16	-0.6	0.34	3.51	15.33	17.07	991.76	989.36	989.45	1058.29
26	Food Retailing (16)	2025.25	-0.2	8.51	3.25	15.63	21.46	2029.47	2024.79	2023.57	2595.98
27	Health and Household (12)	1864.56	-0.4	6.73	2.62	17.33	17.98	1874.19	1873.71	1862.97	2529.84
29	Leisure (30)	1335.55	-1.2	8.31	3.71	15.21	24.33	1351.23	1345.40	1345.25	1435.27
31	Packaging & Paper (17)	522.58	-0.7	9.12	3.85	14.14	9.15	526.49	525.40	528.93	726.65
32	Publishing & Printing (17)	3413.00	-0.8	8.80	4.07	15.12	78.60	3439.12	3442.97	3436.07	4522.89
34	Stores (34)	808.63	-1.8	10.38	3.97	12.71	14.58	823.40	815.62	804.32	1113.15
35	Textiles (17)	601.50	-1.0	11.66	4.52	10.25	12.34	607.50	606.69	601.65	823.56
40	OTHER GROUPS (92)	912.64	-0.7	10.49	4.27	11.46	12.08	918.89	914.65	911.56	1181.46
41	Agencies (19)	1171.11	-0.2	7.44	2.32	16.96	12.99	1173.82	1165.42	1162.86	1692.72
42	Chemicals (20)	1183.60	-0.5	10.98	4.46	11.12	22.34	1188.83	1183.40	1095.15	1419.92
43	Conglomerates (13)	1199.50	-0.9	10.52	4.44	10.92	20.90	1210.91	1208.10	1207.17	1450.82
45	Shipping and Transport (12)	1907.40	-0.6	11.27	4.68	11.75	34.84	1919.33	1912.54	1901.32	2304.03
47	Telephone Networks (2)	1002.30	-0.9	11.11	4.44	11.68	2.32	1011.82	1007.08	1001.86	1135.18
48	Miscellaneous (26)	1181.08	-0.5	11.33	4.26	10.20	20.41	1186.45	1174.62	1172.11	1628.08
49	INDUSTRIAL GROUP (487)	977.40	-0.6	9.84	3.86	12.86	14.90	983.35	979.57	975.94	1216.43
51	Oil & Gas (13)	1805.14	-0.5	11.10	5.80	11.58	39.80	1811.75	1814.00	1807.64	1411.48
59	500 SHARE INDEX (500)	1047.10	-0.6	9.68	4.14	12.67	17.04	1053.70	1052.80	1049.76	1318.12
61	FINANCIAL GROUP (123)	705.89	-0.5	-	4.81	-	15.23	709.27	711.87	710.31	858.30
62	Banks (8)	675.87	-0.9	21.28	6.21	6.32	18.03	681.76	686.25	682.68	840.83
65	Insurance (Life) (8)	1051.53	-0.1	-	4.77	-	24.97	1054.63	1066.97	1068.62	1193.97
66	Insurance (Composite) (7)	547.37	-0.1	-	5.41	-	13.82	547.72	550.52	546.98	630.87
67	Insurance (Brokers) (7)	998.50	+1.3	9.65	4.58	13.39	31.54	985.76	987.70	1068.73	1297.09
68	Merchant Banks (11)	335.43	-0.2	-	4.19	-	7.06	339.97	339.75	339.79	426.47
69	Property (52)	1219.20	-0.5	4.94	2.64	25.87	13.26	1225.86	1224.63	1225.41	1319.86
70	Other Financial (30)	387.69	-0.1	10.89	4.88	12.39	8.97	388.16	388.59	387.69	554.47
71	Investment Trusts (78)	910.75	-0.6	-	2.98	-	11.85	915.97	914.39	907.88	1110.52
81	Mining Finance (2)	521.13	-	9.27	3.61	12.19	0.12	520.93	517.46	521.13	534.11
91	Overseas Traders (8)	1165.13	-0.6	9.91	4.79	11.86	29.22	1171.89	1163.68	1159.16	1128.00
99	ALL-SHARE INDEX (711)	958.24	-0.6	-	4.21	-	16.35	963.88	963.81	960.90	1187.67

	Index No.	Day's Change	Day's High	Day's Low	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Year ago
FT-SE 100 SHARE INDEX ♦	1848.0	-10.2	1852.6	1842.3	1858.2	1857.6	1855.1	1856.9	1841.5	2351.9

FIXED INTEREST

	PRICE INDICES	Mon Jul 4	Day's change %	Fri Jul 1	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	120.82	-0.23	121.10	-	5.87
2	5-15 years	136.01	-0.44	136.69	0.08	7.27
3	Over 15 years	145.49	-0.46	146.15	-	7.77
4	Irredeemables	161.06	-0.45	161.78	-	7.30
5	All stocks	133.54	-0.38	134.09	0.04	6.72
	Index-Linked					
6	5 years	127.67	-	127.66	-	1.32
7	Over 5 years	120.29	-0.15	120.47	-	1.72
8	All stocks	120.73	-0.13	120.89	-	1.67
9	Debentures & Loans	117.22	-0.43	118.03	0.31	6.45
10	Preference	93.78	+0.38	93.43	-	3.32

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 4	Fri Jul 1	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.50	9.41	8.25
2		15 years	9.55	9.50	8.98
3		25 years	9.33	9.28	8.99
4	Medium Coupons	5 years	10.00	9.88	9.04
5		15 years	9.78	9.71	9.22
6		25 years	9.63	9.57	9.22
7	High Coupons	5 years	10.06	9.96	9.26
8		15 years	9.94	9.87	9.34
9		25 years	9.62	9.57	9.14
10	Irredeemables		9.61	9.53	8.90
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.73	2.73	2.66
12	Inflation rate 5%	Over 5 yrs.	3.87	3.86	3.81
13	Inflation rate 10%	5yrs.	1.72	1.72	2.35
14	Inflation rate 10%	Over 5 yrs.	3.71	3.70	3.75
15	Debs & Loans	5 years	10.93	10.81	10.15
16		15 years	10.90	10.80	10.14
17		25 years	10.86	10.78	10.14
18	Preference		9.58	9.61	10.17

♦Opening index 1849.9; 10 am 1851.9; 11 am 1849.7; Noon 1842.5; 1 pm N/A; 2 pm 1842.3; 3 pm 1844.0; 3.30 pm 1845.9; 4 pm 1847.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS Jul	CALLS Oct	CALLS Jan	PUTS Jul	PUTS Oct	PUTS Jan
[illegible]							

July 4 Total Contracts 19,055 Calls 14,824 Puts 4,231
FT-SE Index Calls 1923 Puts 1081
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
150	F.P.	8/7	166	153	ASW Hldgs. 25p	164	-1	W7.3	2.5	5.9	9.0
§235	F.P.	20/7	152	147	Abacai 5p	148		13.5	3.5	3.2	11.7
§280	F.P.	-	280	275	Anglesey Mining Units 9p	270	-5	-	-	-	-
§130	F.P.	-	150	130	Appleby Westward Grp 20p	150	+5	14.29	2.7	3.8	11.8
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]							

[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA

[illegible]

JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

[illegible]

CANADA

TORONTO
Closing prices July 4

[illegible]

MONTREAL
Closing prices July 4

[illegible]

Total Sales 2,487,002 shares.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			
ASDA	162	+	5
Brit. & Comm.	255	+	5
Harris Queensway	173	+	7
Laing Props.	511	+	11
Legal & General	320	+	7
Mersey Dock Units	363	+	10
Priest Marians	385	+	8
Reed Exec.	225	+	8
Tate & Lyle	843	+	7
Vinten	180	+	10
Yale & Valor	413	+	26

FALLS			
Exch. 11% 1990	£101$\frac{1}{8}$	−	$\frac{3}{32}$
Treas. 12$\frac{1}{2}$% '03-05	£120$\frac{1}{8}$	−	$\frac{1}{8}$
Barclays	400	−	0
Booker	388	−	22
Courts (Furn.) A	217	−	8
Harrisons & Cros.	852	−	8
Miller (Stanley)	186	−	7
Rosehaugh	745	−	9
Storehouse	249xd	−	4$\frac{1}{2}$
Vosper Thornycroft	206	−	7

TOKYO - Most Active Stocks
Monday, 4 July, 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	68.66m	696	+11
Mitsui Engineering & Shipbuilding	68.49m	550	+57
Nippon Steel	58.72m	576	-9
Kobe Steel	45.03m	536	-19
Japan Line	38.97m	385	-35
NKK	34.68m	562	-10
Toyo Menka	35.21m	598	+26
Kawaski Heavy Industries	31.85m	647	+7
Mitsubishi Heavy Industries	31.41m	863	+3
Fuji Electric	31.33m	815	+25

INDICES

NEW YORK DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

[illegible]

Janet Bush reports on progress in the Nasdaq and Amex markets

Smaller US stocks steal past leaders

MUCH has been made of the roller-coaster rise of the Dow Jones Industrial Average to post-October crash highs. Debate rages about whether the New York Stock Exchange's restrictions on programmed stock index arbitrage encourage or hinder volatility. Traders bemoan the dominance in "Big Board" volume of technical trading such as dividend capture strategies rather than genuine investment.

But while analysts have been poring over chart patterns and volume tables on the New York Stock Exchange, there have been some notable developments and innovations on the other key stock exchanges: the huge Nasdaq, or over-the-counter, market and the American Stock Exchange, with its key options business.

It has been little noted that the main indices on both exchanges also recently hit post-crash peaks. The Nasdaq Composite index ended the first half of the year last Thursday at a post-crash high of 394.66. The American Stock Exchange's Market Value index hit its post-crash peak of 309.33 on June 10 and ended the first half of the year a whisker below that.

WALL STREET was closed for Independence Day. In Canada, Toronto shares closed mixed in light trading as the market drifted without guidance from the US. Gold stocks advanced, but energy and metals stocks declined. The composite index, which had declined slightly earlier, rose 2.70 to 3444.20.

Both markets have outperformed the main indices on the New York Stock Exchange, suggesting an increased focus on second-tier stocks since the crash. During the bull market, blue chips, heavily followed by analysts and with a high profile among institutions and individual investors, tended to outperform smaller, lesser known companies whatever their attractions.

However, it has been documented that even as the October crash was happening, investors started refocusing on fundamental values. Many stocks, relatively neglected during the bull market, looked very good buys indeed.

The Amex's Market Value index rose 18.78 per cent in the first six months of the year while the Nasdaq Composite recorded a gain of 19.4 per cent. Those increases compare with a rise in the Dow Jones Industrial Average of 10.5 per cent and in the Standard & Poor's 500 of 10.7 per cent.

"We are seeing a return to the historic pattern in the US markets in which the stocks typical of the Nasdaq market generally outperform large ones," said Mr Gene Finn, chief economist for the National Association of Securities Dealers, the self-regulatory organisation for the over-the-counter market. "It is clear that the confidence of individual and institutional investors is returning."

That process of rebuilding confidence is a slow one. Volume remains well below the level seen in 1987 – Nasdaq volume totalled more than 18bn shares in the first half compared with 18.8bn in the same period of 1987. But it still exceeded the total of 15.1bn in the first half of 1986.

On the American Stock Exchange, the number of shares traded in the first six months was 1.33bn compared with 1.76bn a year earlier. The total number of options contracts traded was 22.4m in the first half compared with 34.9m a year earlier.

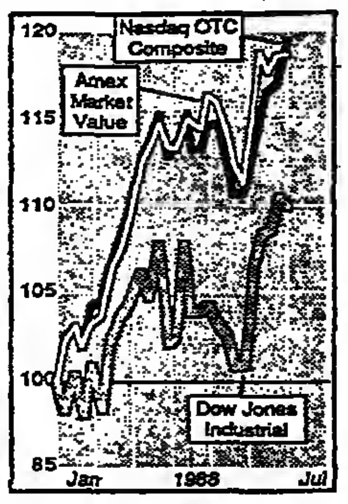
Competition is intense between US exchanges, and increasingly with exchanges overseas, both in terms of efficiency and product development.

Last Friday, the Nasdaq made participation in its automated Small Order Execution System mandatory for all market makers, a key step in the transition from telephone-based trading to an electronic market place.

It also announced last week that it had filed with the Securities & Exchange Commission for approval of a project which would develop a highly-automated system for trading non-registered securities, typically issued by large multinational corporations and foreign governments. Its system is to be called Portal.

Competition to provide a trading forum for what is estimated to be a $50bn primary market in these securities may be intense. The Amex has also filed with the SEC to develop its own system named Situs.

Another key area of development is products designed to trade baskets of stocks.



EUROPE

Speculative interest drives Paris onto centre stage

THE holiday on Wall Street left Europe rather directionless although shares generally closed higher. France was the main talking point, as speculation about stakebuilding buzzed around the bourse, *writes Our Markets Staff.*

PARIS was taken higher by heavy trading in drinks group LVMH, which once again provided the day's main excitement.

The session opened strongly amid high demand for LVMH, and rumours continued to fly about who was buying and why. However, sporadic profit-taking and concern over the likely effect of the latest Gulf tension on Wall Street when it reopens today took shares off their highs.

The opening CAC General index was up 2.1 at 360.8, and the SFX 80 index finished 3.27 higher at 358.78.

LVMH closed up FFr140 at FFr2,865, having reached a year's peak of FFr2,975, with a particularly high 280,000 shares traded, compared with more than 144,000 last Friday. One analyst said: "That sort of volume suggests something more than just a small investment."

The latest rumour surrounding the group is that holding company Financière Agache, up FFr68 at FFr2,118, is stakebuilding, although the old rumours of share buying by Britain's Grand-Met and Guinness continued. The stock has also been featured recently on Japanese lists.

Electrical appliances group SEB was suspended pending news of its $170m purchase of West German appliance company Rowenta, and when trade restarted it rose FFr53, or 6 per cent, to FFr878. Moulinex was active again, and found 50 centimes to FFr105.50.

FRANKFURT had a mixed day, with prices ending off their highs in fairly thin trading, but with good economic and corporate news keeping sentiment buoyant.

The FAZ index pushed on to its second consecutive high for the year at its midday fix, adding 6.08 to 485.74. But the newly quoted DAX 30-share index, which is recalculated every minute during official trade, closed up just 4.63 at 1,168.15, somewhat below its day's high of 1,171.87. Volume for all West German shares was a modest DM2.9bn.

Profit-taking later in the session prompted some analysts to say this is still primarily a traders' market.

However, some dealers report growing interest in West German blue chips from UK and US institutions, which they say are switching from overweight positions in France.

News that the West German current account surplus had risen to DM8.6bn in April from DM4.7bn in March was regarded as positive, with exports, and consequently manufacturers' earnings, recovering. The dollar's strength further helped market optimism.

Daimler saw further demand, closing just DM7.50 lower at DM851 after going ex a DM12 dividend. It was boosted by Friday's AGM forecast of an 6 per cent rise in group turnover this year, and by market reports that it could take a 30 per cent stake in MBB, the aerospace company.

Allianz, the insurer, was a strong performer, adding DM28 to DM1,498.

Recently strong electronics stock Siemens, which reported a DM98m contract from Kuwait for switch-gear stations, was down DM5.40 at DM421.50 after reaching a day's high of DM426.50.

Bonds edged higher, with trading subdued by the US holiday. The yield on the 6¼ per cent 1998 federal bond eased to 6.53 per cent from 6.64 per cent on Friday.

MILAN saw active trading in blue chips Fiat and Montedison and ended higher after a fairly busy session, with the MIB index finding 5 to 1,066.

News on Friday that mutual fund redemptions last month were similar to May's unexpectedly high L1,536bn appeared not to dampen sentiment. Mutual funds movements tended to lag the market, and share prices had been picking up lately, said one analyst.

Fiat rose L101 to L9,510 and Montedison was L26 higher at L1,831.

ZURICH finished higher in quiet trading in the absence of Wall Street.

Gotthard Bank, which forecast record profits this year, added SFr5 to SFr645, while Union Bank bearers rose SFr75 to SFr3,200.

AMSTERDAM had a low-key day without its usual direction from Wall Street. The CBS trend index edged up 0.30 to 93.7.

Internationals were stronger, with Philips, 60 cents ahead at Fl 33.50, the most active stock on 402,000 shares.

Steel stock Hoogovens rose a strong Fl 2.10 to Fl 51.10.

STOCKHOLM saw very quiet trading, with the Affärsvärlden General index unchanged at 857.0.

The market was boosted by news that industrial group Trelleborg had bought a 10 per cent stake in ball-bearing maker SKF. SKF's free B shares rose SKr7 to close at SKr325.

Trelleborg, unchanged at SKr251, denied the purchase herolded a full bid, saying it was purely a capital investment.

BRUSSELS ended mixed after a very slow session, with investors reluctant to take new positions on the last day of the current two-week forward account period. Many stayed away because of the New York holiday.

The stock index closed up 11.56 points at 4,964.88.

Steelmakers were lively, with Cockerill again the most traded stock, falling BFr5 to BFr242. Arbed also fell back, ending BFr70 down at BFr2,140.

MADRID closed mixed after light trading, with the general index easing 0.62 to 296.40.

London

CONCERN over the effect on Wall Street of the attack in the Gulf left oil shares lower in London, but with New York closed for the national holiday, movements in domestic interest rates dominated.

News of a ½ point rise in base rates helped prices off their lows and the FT-SE 100 index closed down 10.2 at 1,848.0.

SOUTH AFRICA

GOLD stocks closed higher in Johannesburg yesterday after gains in the bullion price, boosted by news of the latest conflict in the Gulf.

However, trading remained cautious. Among the few gainers Vaal Reefs was up R8 at R273 and Kloof edged R1 higher to R32.25. Mining house Anglo American improved 75 cents to R53.25.

ASIA

Nikkei eases in reduced volume after Gulf attack

Tokyo

A SLIDE in the yen and the downing of an Iranian civilian airliner by the US sent worried investors to the sidelines in Tokyo yesterday and the Nikkei average ended almost unchanged, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei dipped 2.13 points from Saturday, the third straight loss, to 27,360.39 after reaching a high of 27,471.05 in the morning. The day's low was 27,276.22.

Volume shrank sharply from Friday's 2.6bn shares, reaching just 918m. Declines led advances by 449 to 381, and 180 issues ended unchanged.

Investors refrained from buying or selling, in part because of heightened tension in the Middle East after the shooting down of the Iranian Airbus A-300. The yen's drop to its lowest level in seven-and-half months in Tokyo and a sharp decline in bond prices also curtailed activity.

Profit-taking had steeply pushed down steels and other giant-capital stocks on Friday and Saturday. Many eased further yesterday in small-lot selling, with only leading issues in each sector maintaining strength.

There were gains for the day's most active stock, Kawasaki Steel, which firmed Y11 to Y696 with 68.7m shares changing hands. Mitsui Engineering and Shipbuilding rose Y37 to Y550 on the second largest trading of 68.5m shares, on investor appraisal of its advance into the leisure market.

The increased Middle East tension led to gains for oils and other resources, but volume was small. Toa Nenryo Kogyo rose Y60 to Y1,840, while Teikoku Oil added Y10 to Y905 and Mitsui Mining and Smelting Y5 to Y660.

Buying of low-priced equities pushed Toyo Menka, seventh busiest with 32.5m shares traded, up Y26 to Y598, and Showa Line Y39 to Y555. However, Japan Line, which had gained about Y100 last week as the lowest-priced issue on the market, dropped Y35 to Y385, slipping back below Y400.

Bond prices suffered a steep setback because of the yen's fall and a rapid rise in open market interest rates. Many dealers, nervous about the Bank of Japan's attitude of tolerating an increase in short-term interest rates, shied away from active trading.

The yield on the 5.0 per cent government bond due in December 1997 climbed to this year's high of 5.175 per cent from Saturday's 5.070 per cent. The benchmark bond, however, later turned up, albeit feebly, thanks to a rally in the futures market, closing at a yield of 5.155 per cent.

On the Osaka Securities Exchange, the OSE stock average lost 49.31 from Saturday to 27,476.46. Turnover plummetted by 172.8m shares to 45.5m.

Australia

ATTENTION focused again on issues involved in the Bell/Bond merger proposals, although trading was hit by increased tension in the Gulf and the holiday on Wall Street.

The All Ordinaries index rose just 1.2 to 1,560.1.

Bell Resources attracted most trade, rising 13 cents to A$1.72 after Friday's announcement of merger proposals in the Bell/Bond groups.

Hong Kong

TRADING was quiet, curtailed somewhat by the closure of Wall Street for Independence Day, and Hong Kong stocks closed little changed.

The Hang Seng index edged up 2.98 to 2,687.62 on low turnover worth HK$926.4m. Crocodile was the most active stock, with 176m shares changing hands, losing 10 cents to HK$12.20. The large volume was attributed to the start of a planned placement by controlling shareholder Lai Sun Development.

Singapore

PROFIT-taking reduced share prices in moderate trading, with institutions sitting the session out because of an absence of fresh news.

The Straits Times Industrial index fell 10.94 to 1,094.47, having reached a post-crash high of 1,105.41 on Friday.

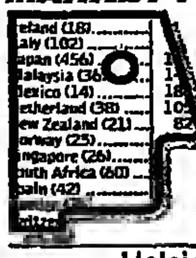
High-flying Finland wards off control by foreigners

THE HELSINKI Stock Exchange, one of Europe's smaller markets, has more than one claim to fame – it was one of the rare continental markets to show a gain last year and was the first to bounce back to pre-crash highs six weeks ago.

Share prices currently stand 7.6 per cent higher than they did just before the October 19 crash, with the Unitas all share index closing yesterday at a record 733.6.

The market, which covers 111 companies, is capitalised at FM107.68bn ($24.8bn) – still low compared with most others in Europe, but more than 25 per cent higher than a year ago.

MARKET PROFILE



Helsinki

The top 10 stocks account for 55.4 per cent of the market's capitalisation. But only about 19 per cent of the market comprises non-restricted shares available to foreigners.

The stock exchange trades officially from 9.30 am until about noon and after hours trading usually lasts a couple of hours.

The trading system is based on open outcry, with the official list, the over-the-counter list and bonds and debentures quoted on a daily basis. There is also a small "broker list" of second-tier stocks, quoted once a week.

The sit-down, open outcry auction will give way to a fully computerised system by the end of this year. The Helsinki Stock Exchange Automatic Trading and Information Systems (HETI) are decentralised, allowing trading either from the exchange premises or from outside brokerage offices.

Computerised trading in bonds and debentures began in April this year. The official trading hours for these securities are 9.30 am to 6 pm.

The bourse has separate plans to introduce a computerised share price and registration system which will probably lead to paperless share dealing. And it plans to introduce its own index, possibly replacing the current KOP and Unitas indices.

Volumes have been gradually picking up after the post-crash uncertainty. Average daily turnover reached about FM200m in mid-June compared with FM123m during the first six months. An average of 1.03m bargains are executed each day.

The number of brokerage firms on the stock exchange has grown to 24, of which eight are banks and 16 are securities houses. This expansion has reduced the banks' *traditionally dominant position.*

While competing fiercely for market share the banks have agreed to set up a central settlements company. Since the beginning of this year the backlog of settlements has eased and brokers are able to adhere to the principle of settling trades on the fifth banking day after the deal.

Foreign ownership of Finnish companies is restricted. The upper limit on the amount of non-restricted shares – those available to foreigners – in a Finnish company is 40 per cent of the share capital, but voting rights vested in these shares may not exceed 20 per cent.

If a company wishes to make more than 20 per cent of its capital open to foreigners it must apply to the Trade and Industry Ministry, and in practice the ministry has been very cautious about raising the level to the maximum 40 per cent.

Up to now, insurance companies have been the only ones to have 100 per cent free shares, but the Government has just proposed restricting this to 40 per cent.

Voting rights and entitlement to dividends differ from company to company. There is a 25 per cent withholding tax on dividends, but in practice most foreign investors pay lower rates under bilateral tax agreements.

The bourse's self-imposed code of ethics requires disclosure of ownership when the holding exceeds 10 per cent of the share capital or the voting rights in any listed company.

A profile of the Madrid market appeared in last Friday's paper. The Frankfurt exchange will be featured on Thursday.

Olli Virtanen

STOCK MARKET FACT CHART
HELSINKI

Market capitalisation: FM107.68bn ($1=FM4.34; £1=FM7.38)
Number of shares listed: 111
Top 10 stocks, percentage of market: 55.4%
Trading hours: official - 9.30am - 12noon; after hours - free trading possible
Average daily turnover: FM123m
Average daily number of bargains: 1.03m
Main indices: KOP index, Unitas index (both cover all shares)
Current level of index (Unitas):733.6; 1988 high: 733.6 (4/7); 1988 low: 530.6 (15/1)
Settlement: by 1 pm on the fifth banking day following the transaction

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FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 4 1988					FRIDAY JULY 1 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	137.46	−1.0	121.09	116.96	3.81	138.86	121.03	116.97	150.35	91.16	137.67
Austria (16)	85.79	+0.0	75.57	81.53	2.55	85.83	74.81	81.15	98.18	83.72	85.53
Belgium (63)	117.75	−0.4	103.73	112.09	4.50	118.18	103.00	111.91	139.89	99.14	124.69
Canada (129)	126.22	−0.1	111.19	111.64	3.01	126.33	110.11	111.65	128.91	107.06	132.35
Denmark (39)	129.30	+0.1	113.90	122.00	2.38	129.15	112.57	121.51	132.72	111.42	114.21
Finland (26)	131.17	+0.0	115.55	119.94	1.43	131.20	114.35	119.55	139.53	106.78	–
France (130)	96.32	+0.0	84.85	93.11	3.47	96.30	83.93	92.64	99.62	72.77	110.87
West Germany (100)	76.44	+0.6	67.34	72.70	2.55	75.96	66.20	71.85	80.79	67.78	96.23
Hong Kong (46)	107.90	+0.0	95.05	108.21	4.23	107.95	94.09	108.23	109.20	84.90	127.67
Ireland (18)	134.73	+0.1	118.69	129.36	3.67	134.60	117.32	128.72	141.54	104.60	134.35
Italy (102)	71.74	+0.1	63.20	72.74	2.76	71.70	62.50	72.29	81.74	62.99	94.90
Japan (456)	156.74	−1.8	138.08	134.15	0.53	159.58	139.09	135.27	177.27	133.61	134.17
Malaysia (36)	150.33	−1.7	132.43	151.75	2.42	152.96	133.32	154.05	153.14	107.83	175.21
Mexico (13)	171.84	+2.3	151.38	430.26	1.26	167.92	146.36	419.51	180.07	90.07	265.30
Netherland (38)	103.15	−0.1	90.87	97.08	4.76	103.28	90.02	96.68	110.66	95.23	125.91
New Zealand (21)	75.25	−2.0	66.29	59.80	5.97	76.76	66.91	60.24	84.05	64.42	101.22
Norway (25)	121.01	−1.1	106.60	109.84	2.75	122.30	106.59	110.18	132.23	98.55	140.65
Singapore (26)	122.93	−2.1	108.29	116.52	2.15	125.56	109.44	118.48	125.56	97.99	153.00
South Africa (60)	120.93	+2.1	106.53	90.83	4.83	118.45	103.24	89.59	139.07	118.10	157.32
Spain (43)	151.10	+0.0	133.10	139.59	3.16	151.14	131.73	139.06	164.47	130.73	122.21
Sweden (35)	116.74	−0.2	102.84	109.27	2.61	116.93	101.92	108.84	125.50	96.92	114.94
Switzerland (55)	79.21	−0.3	69.78	74.79	2.29	79.42	69.23	74.50	86.75	75.60	98.29
United Kingdom (326)	129.43	−1.7	114.02	114.02	4.36	131.63	114.73	114.73	141.18	123.09	155.10
USA (585)	110.98	+0.0	97.76	110.98	3.52	110.98	96.73	110.98	112.27	99.19	124.60
Europe (1016)	105.14	−0.7	92.62	96.89	3.70	105.90	92.30	96.83	110.82	97.01	124.29
Pacific Basin (674)	153.98	−1.7	135.64	132.26	0.74	156.68	136.56	133.31	172.26	130.81	134.01
Euro-Pacific (1690)	134.48	−1.4	118.46	118.12	1.68	136.40	118.88	118.74	147.53	120.36	130.17
North America (714)	111.79	+0.0	98.48	111.04	3.49	111.80	97.44	111.04	113.08	99.78	125.01
Europe Ex. UK (690)	89.99	+0.1	79.27	86.23	3.14	89.88	78.34	85.68	92.99	80.27	105.15
Pacific Ex. Japan (218)	120.72	−0.9	106.35	108.62	3.93	121.75	106.12	108.82	128.15	87.51	132.15
World Ex. US (1892)	134.09	−1.3	118.13	117.77	1.75	135.90	118.45	118.35	146.49	120.26	130.63
World Ex. UK (2151)	124.68	−0.8	109.83	115.53	2.14	125.69	109.55	115.87	131.77	111.77	125.62
World Ex. So. Af. (2417)	125.11	−0.9	110.21	115.54	2.33	126.25	110.04	115.93	132.39	113.26	128.05
World Ex. Japan (2021)	109.93	−0.3	96.84	105.96	3.59	110.22	96.07	105.94	112.43	100.00	125.45
The World Index (2477)	125.09	−0.9	110.19	115.38	2.35	126.21	110.00	115.76	132.38	113.37	128.24

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local).
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U.S. Market closed July 4.